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# Acronyms and Abbreviations

AATF	Airport and Airway Trust Fund
ACI	Airports Council International
ACI-NA	Airports Council International North America
ADA	Americans with Disabilities Act
ADAP	Airport Development Aid Program
ADOs	Airport District Offices
AIP	Airport Improvement Program
AIP Handbook	Airport Improvement Program Handbook
AIR-21	Wendell H. Ford Aviation Investment and Reform Act for the 21st Century
ALP	Airport Layout Plan
AOPA	Aircraft Owners and Pilots Association
ARRA	American Reinvestment and Recovery Act
CFC	Customer Facility Charge
CPI	Consumer Price Index
DOT	department of transportation
FAAP	Federal-Aid Airport Program
FDOT	Florida Department of Transportation
FMV	Fair Market Value
FY	Fiscal Year
GA	General Aviation
GARB	General Airport Revenue Bond
GDP	Gross Domestic Product
GO	General Obligation
lb	Pound
MTOW	Maximum Take Off Weight
NBAA	National Business Aviation Association
NextGen	Next Generation Air Transportation System
NPIAS	National Plan of Integrated Airport Systems

OMB	Office of Management and Budget
PFC	Passenger Facility Charge
PGP	Planning Grant Program
PSRC	Puget Sound Regional Council
RTPO	Regional Transportation Planning Organization
Sea-Tac	Seattle-Tacoma International Airport
SIA	Spokane International Airport
SPB	Seaplane Base
SRTC	Spokane Regional Transportation Council
TRFC	Transportation Revenue Forecast Council
USDOT	United States Department of Transportation
WSDOT	Washington State Department of Transportation



# Funding Airport Investments

## FEDERAL

### Background

Since the 1946 establishment of the Federal-Aid Airport Program (FAAP), the federal government has been providing funding support for basic airport development, including airfield construction, passenger terminals, entrance roads, and necessary land acquisitions. The purpose of this grant program was to promote the development of civil airports across the U.S. and its territories to meet aviation needs.

In 1970, the Airport and Airway Trust Fund (AATF) was established by the Airport and Airway Revenue Act. The AATF was intended

to provide sustainable revenue sources for the newly established airport Planning Grant Program (PGP) and the Airport Development Aid Program (ADAP). The Airport Improvement Program (AIP) was established in 1982 as part of the Airport and Airway Improvement Act, to replace the PGP and ADAP. The AIP was established to provide grants under a single program, to include both airport planning and development. Now codified as Chapter 471 of Title 49 of the United States Code, over the years, a number of Acts have amended and re-authorized the AIP to meet the evolving needs of our country. Despite the program changes, the overall objective of the AIP has remained consistent “to assist in the development of a nationwide system of public-use airports adequate to meet the current needs and the projected growth of civil aviation” (FAA, 2005).

**Since 2000, the average percentage of appropriations from the general fund has been 21%, and generally trends upward, further illustrating the apparent challenge for the AATF to solely sustain FAA operations and AIP program.**

### Revenue Sources

User based revenue sources generate money used to fund the AIP. The sources are comprised of excise taxes on domestic and international air travel, cargo shipping, and commercial passenger and general aviation fuels. A summary is provided in Exhibit 3-1.

These sources were envisioned to provide relatively stable revenue generation for the AIP. With domestic and international ticket taxes comprising 84% of the revenue, recent challenges to commercial air travel have

compromised the Trust Fund. A noteworthy example, after the terrorist attacks on September 11, 2001, the number of U.S. enplanements declined significantly, and pre 9/11 passenger levels were not

reached again until July of 2005 (BTS, 2005). During the global economic downturn (2007-2012), U.S. enplanements declined to recent lows in 2009. Exhibit 3-2 illustrates U.S. passenger enplanement volatility since 2000.

As a consequence of these periods of lower airline industry and shipping revenues and higher fuel prices, AATF revenues faltered. The gap between Federal Aviation Administration (FAA) budget requests and AATF revenues has been filled with appropriations from the general fund. Historically, the percentage of appropriations from the general fund to FAA has varied widely, from 0% (fiscal year [FY] 2000) to 34% (FY 2010) (Exhibit 3-3). **Since 2000, the average percentage of appropriations from the general fund has been 21%, and generally trends upward, further illustrating the apparent challenge for the AATF to solely sustain FAA operations and AIP program.**



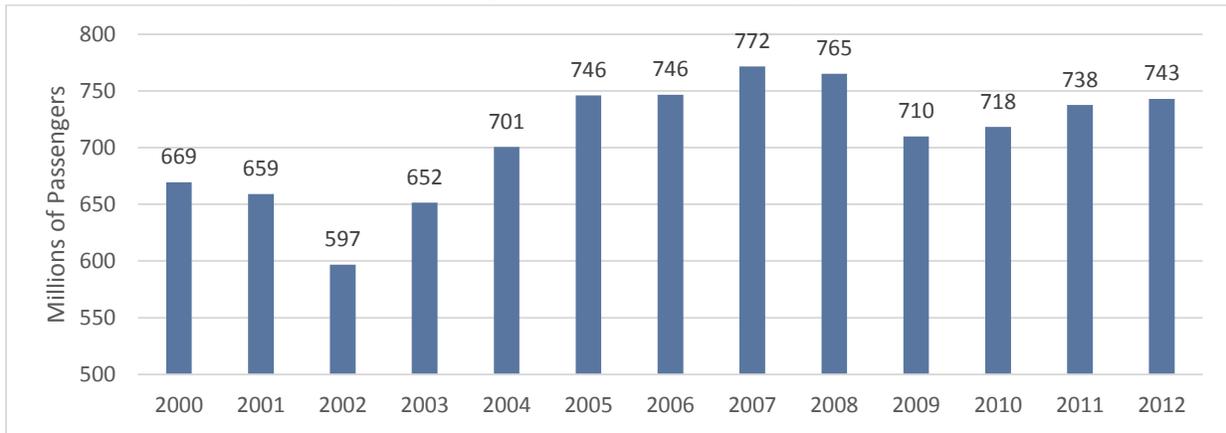
**EXHIBIT 3-1  
AIP Revenue Sources**

Source	Computation Method as of January, 2013 <sup>a</sup>	Percent of Total Tax Receipts <sup>b</sup>
Domestic Passenger Ticket Tax	7.5% of ticket price	49%
Domestic Passenger Flight Segment	\$3.90 per segment, indexed to Consumer Price Index (CPI)	20%
Passenger Ticket Tax at Rural Airports	7.5% of ticket price	1%
International Departure and Arrival Taxes	\$8.60 per passenger, indexed to CPI	15%
Special Rule for Flights between Continental U.S. and Alaska or Hawaii	\$17.20 per passenger, indexed to CPI	
Frequent Flyer Tax	7.5% of award mileage value	2%
Domestic Freight and Mail	6.25% of shipment price	5%
Commercial Fuel Tax	4.3¢ per gallon	6%
General Aviation Fuel Tax	Gasoline – 19.3¢ per gallon Jet fuel – 21.8¢ per gallon	2%

<sup>a</sup>Source: FAA, "Current Aviation Excise Tax Structure and Rates," January 2013 (FAA, 2013a)

<sup>b</sup>Source: FAA, "Airport and Airway Trust Fund Receipts and Balances," 2013 (FAA, 2013b)

**EXHIBIT 3-2  
U.S. Air Carrier Enplanements (January 2000 – December 2012)**

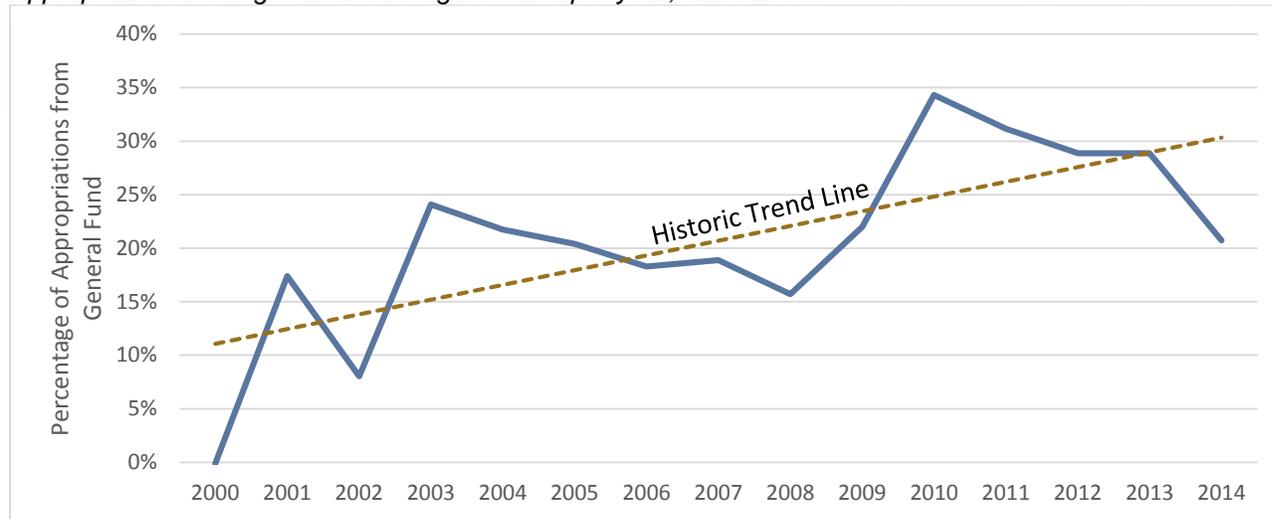


Source: Bureau of Transportation Statistics

**EXHIBIT 3-3**

**Percentage of Appropriations to the AATF from the General Fund**

*Appropriations have grown an average of 1.4% per year, since 2000*



Source: FAA

**Historic Funding Levels**

The federal government, via Congressional Acts, authorizes funding to be allocated to the AIP for the purposes of providing grants. Congress authorizes the Office of Management and Budget (OMB) to establish annual FAA budgets that include allowance for the FAA to obligate and make payments via the AIP. The annual appropriation by OMB may also adjust the AIP funding level from those established in the initial authorization.

Within the past 10 years (2004 to 2013), there have been three distinct legislative Acts that

have authorized revenues from the AATF to the AIP. The three acts are summarized in Exhibit 3-4.

Since 2003, the annual authorization amount to the AIP program has varied between \$3.35 billion (currently) to nearly \$3.9 billion in 2009, when ARRA funds were used to supplement the AIP (Exhibit 3-5). Actual apportionments have historically been somewhat less than the authorization amounts. The difference in funds authorized and funds appropriated typically carries over to future year(s).

**EXHIBIT 3-4**

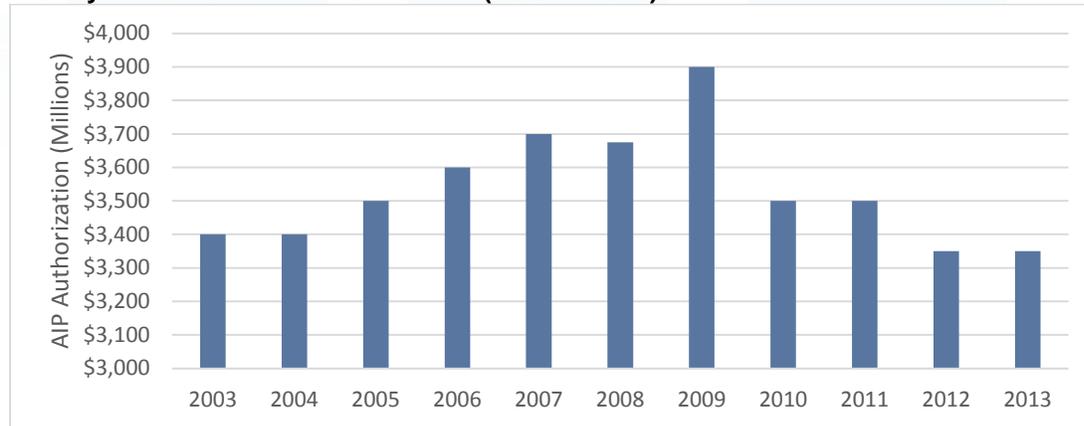
**Legislative Acts to Fund FAA and AIP (10-Year History)**

Legislative Act	Effective Dates	Notes
Vision 100 – Century of Aviation Authorization Act of 2003	2004 to 2007	A series of 23 short-term extensions provided revenue collection authority under Vision 100, until February 2012, when the FAA Modernization and Reform Act was approved.
American Recovery and Reinvestment Act of 2009 (ARRA)	2009	In order to stimulate the struggling economy, this one-time Act provided an additional \$1.1 billion for airport grants, with priority for those projects that could be completed within 2 years.
FAA Modernization and Reform act of 2012	2012-2015	Authorizes \$3.35 billion annually for AIP.

Source: FAA



### EXHIBIT 3-5 History of Annual AIP Authorizations (2003 to 2013)



Sources: FAA, *Airport Improvement Program: Fiscal Year 2009, 26<sup>th</sup> Annual Report of Accomplishments to Congress*, 2011.

*FAA Modernization and Reform Act of 2012*, Public Law 112-95, Feb. 14, 2013

## Apportionment to Washington State

FAA distributes airport aid funds across the United States and its territories by specific formulas in the Act. AIP funding is split into two primary categories, and then there are several types in each category. The two primary categories include entitlement funds and discretionary funds. Entitlement funds are those designated for specific commercial and cargo service airports and for state apportionments for reliever and general aviation airports. After entitlement funds are computed, the remaining funds are designated as “discretionary funds” to implement specific set-aside and high priority projects.

### Entitlement Funds

Entitlement funds are designated for specific primary commercial service and cargo service airports, and state apportionments for non-primary, general aviation, and reliever airports.

### Primary Airports

Primary airports are commercial service airports that have a minimum of 10,000 enplanements per year. Washington State’s 10 primary airports include **Bellingham International, Friday Harbor, Boeing Field/King County International, Seattle-Tacoma**

**International, Pangborn Memorial, Yakima Air Terminal, Tri-Cities, Walla Walla Regional, Pullman-Moscow Regional, and Spokane International.**

Primary airports receive entitlement funds based on the number of passenger enplanements, with an annual minimum of \$1 million and maximum of \$26 million per airport. If the national authorization to the AIP is below \$3.2 billion, the formulas change, as do the resulting minimums (\$650,000) and maximums (\$22 million) per airport. FAA records enplanement data for a full calendar year, which determines the entitlements for the next fiscal year.

Primary airports that are authorized by FAA to levy passenger facility charges (PFC) to passengers (maximum \$4.50 per boarding) are subject to a reduced entitlement. The amount of the reduction is 50% to 75% of the forecast year’s PFC collections, depending on the amount of the PFC levied per passenger. The PFCs provide for a way for commercial airports to generate revenues locally to fund capital projects. As such, the FAA is able to leverage additional entitlement monies for discretionary purposes, and to fund high-priority capital projects at general aviation (GA) airports that are not able to generate these PFC revenues. The withheld entitlements are distributed to the AIP discretionary fund, and to the small airport fund. In Washington State,

Seattle-Tacoma International (Sea-Tac) is the only airport with reduced entitlement funds. Sea-Tac's entitlements are reduced by 75% of their previous year's PFC collections.

In 2013, Washington State's 10 primary airports received over \$21 million in Primary airport entitlement funds.

### Cargo Service Airports

Cargo entitlement funds are designated for specific cargo service airports that handle a minimum of 100 million pounds of landed cargo weight annually. Landed weight includes the weight of aircraft that are only transporting cargo. Washington State cargo service airports that receive entitlement funding include **Seattle-Tacoma International, Boeing Field/King County International, and Spokane International.**

Cargo service airports split a total of 3.5 % of the available AIP funds, based on their pro-rated share of the total landed cargo weight in the U.S. FAA records cargo data for a full calendar year, which determines the entitlements for the next fiscal year. In 2013, Seattle-Tacoma International, Boeing Field/King County International, and Spokane International brought in a combined \$2.2 million in cargo entitlement funds.

**If the national authorization to the AIP is below \$3.2 billion, no non primary entitlement monies are made available.**

### State Apportionments

State apportionment funds are designated for use at non-primary commercial service, general aviation, and reliever airports. Non-primary commercial service airports receive the lesser value of 20% of the airport's 5-year capital plan costs as designated in the NPIAS or \$150,000. **If the national authorization to the AIP is below \$3.2 billion, no non-primary entitlement monies are made available.** In 2013, 48 Washington State airports each received \$150,000 in non-primary entitlements, for a total of \$7.2 million.

The remaining funds, after non-primary entitlements are deducted, are distributed to the states and insular (Guam, American

Samoa, Northern Mariana Islands, and U.S. Virgin Islands) areas based on an area/population formula. By law, Alaska is ensured a minimum distribution of \$21 million. In 2013, Washington State received nearly \$4.8 million. These funds are used to fund high-priority projects.

### Discretionary Funds

Discretionary funds encompass the remaining AIP funds after entitlements are computed. As such, the amount available for discretionary funds varies from year to year, depending on the overall appropriation. Discretionary funds are protected (49 U.S.C. §47115) to ensure a minimum of \$148 million is available for discretionary uses. If less than this amount is available, the other apportionments and set-asides are to be reduced by the same percentage to make up the difference.

Discretionary funds are split into funds set aside for minimum investments in specific FAA priority programs, and funds targeted for

projects identified in the national priority system. The national priority system was established to provide uniform criteria to

distribute funding. Highest priorities (in order) for the national priority system are safety, security, reconstruction, compliance with standards, and capacity.

### Set Asides

At least 87.5% of the funds available from reduced entitlements for airports that collect PFCs make up the Small Airport Fund. This fund is split amongst:

- 1/7 (14%) – Small hub airports
- 2/7 (29%) – General aviation airports
- 4/7 (57%) – Non-hub primary and non-primary commercial service airports

AIP discretionary funds are set aside for other specific programs, including:

- Military Airport Program – A minimum of 4% of discretionary funds for airports being converted to civilian or joint use.



- Reliever Airports – A minimum of 0.66% of discretionary funds for airports with greater than 75,000 annual operations, 5,000 foot runway or larger, 100 or more based aircraft, and relieves 20,000 hours of commercial aircraft delays.
- Noise and Environmental Projects – A minimum of 35% of discretionary funds, up to \$300 million for airports required to accomplish noise compatibility planning or projects, noise mitigation projects, land use planning or projects, or Americans with Disabilities Act (ADA) projects.

Of the remaining AIP discretionary funds after the previously mentioned set-asides (including the remaining 12.5% of the entitlement funds reduced for airports collecting PFCs), 75% is set aside for capacity, safety, security, and noise projects for primary and reliever airports.

In 2013, Boeing Field/King County International and Sea-Tac received a total of \$7.4 million for noise mitigation projects.

### Pure Discretionary

Pure discretionary funds are the funds remaining after all of the set-asides have been accounted for and are applied to any public-use NPIAS airport for priority projects as identified in the national priority system.

### Eligibility

There are two types of eligibility requirements that must be met before AIP funds may be authorized for airport capital projects. First, the airport and sponsor must meet specific operational requirements and be formally authorized to receive AIP funds. Second, for eligible airports, their specific capital projects must meet specific criteria and priorities as defined by the FAA. The two types of eligibility are discussed in the following paragraphs.

### Airport and Sponsor

AIP funding is available only to eligible public-use airports in the National Plan of Integrated Airport Systems (NPIAS). The NPIAS contains a 5-year development plan for existing and proposed airports that have been identified as significant to U.S. air transportation. The 5-year

development plan is updated every two years and reported to Congress. Regional Airport District Offices (ADOs) are responsible for compiling projects in their respective jurisdictions.

Included in the NPIAS are nearly 3,400 U.S. and insular area airports that include:

- All commercial service airports
  - Greater than 2,500 annual passenger enplanements
- All reliever airports
  - With a minimum of 100 based aircraft or 25,000 operations
  - Relieves a commercial service airport operating at 60 % of capacity and serving a population greater than 250,000 persons or 250,000 enplanements
- Select general aviation airports
  - Included in State or Local Airport System Plans
    - With a minimum of 10 based aircraft
    - Serving a community 30 minutes or greater from the nearest NPIAS airport
- Airports receiving U.S. Mail Service
- Joint Use Airports or airports with U.S. military activity

New airports or existing airport targets that meet the above criteria may be included in the NPIAS for the timeline that they are planned to meet the targets. The complete requirements for airports to be included in the NPIAS may be found in **FAA Order 5090.3C – Field Formulation of the National Plan of Integrated Airport Systems (NPIAS), December 4, 2000.**

Washington State NPIAS airports are shown in Exhibit 3-6. Airports in the NPIAS are categorized based on number of enplaned passengers (for commercial service airports) and number of operations (for GA airports). Exhibit 3-7 provides definition of these categories and example airports from Washington State.

**EXHIBIT 3-6  
NPIAS Airports in Washington State**



**EXHIBIT 3-7  
NPIAS Airports Categories**  
*Washington State's 64 NPIAS airports represent nearly all NPIAS categories*

NPIAS Category	Description	Washington Airports
Commercial Service Airports	Greater than 2,500 enplaned passengers per year	
Large Hub	Account for greater than 1% or more of U.S. passenger enplanements	Seattle-Tacoma International (Sea-Tac)
Medium Hub	Account for between 0.25% and 1% of U.S. passenger enplanements	None
Small Hub	Account for between 0.05% and 0.25% of U.S. passenger enplanements	Bellingham International Spokane International
Non-hub Primary	Account for less than 0.05% of U.S. passenger enplanements, but greater than 10,000 enplanements	Boeing Field Yakima Air Terminal Pangborn Memorial Friday Harbor Pullman/Moscow Regional Tri-Cities William Fairchild International Walla Walla Regional
Non-primary Commercial Service	Have between 2,500 and 10,000 annual enplanements	Orcas Island
General Aviation Airports*	Do not have scheduled commercial service and are at least 20 miles from nearest NPIAS airport.	Chehalis-Centralia Pearson Field Packwood Bowers Field Dorothy Scott Odessa Deer Park
Reliever Airports	Have 100 or more based aircraft, or 25,000 annual operations.	Felts Field Paine Field Harvey Field Auburn Municipal Renton Municipal

\*Not all NPIAS general aviation airports are shown.



In addition to the airport eligibility requirements, there are eligibility requirements that sponsors must meet. In general, sponsors that are eligible to receive AIP funds are legally and financially responsible parties that include:

- Planning agencies (authorized State and/or Metropolitan)
- Public agencies owning airports (state, county, local, or tax-supported)
- Some public agencies not owning airports (for limited purposes of noise compatibility and land use planning, airport acquisitions or new airports)
- Some private airport owners/operators (public reliever airports, eligible for airport development, master planning, noise compatibility planning and implementation)

The complete requirements for airports to be included in the NPIAS may be found in **FAA Order 5100.38C – Airport Improvement Program Handbook (AIP Handbook), June 28, 2005** and **FAA Order 5090.3C – Field Formulation of the National Plan of Integrated Airport Systems (NPIAS)**.

## Project

Airports included in the NPIAS should plan and develop projects that are in conformance with applicable FAA design criteria and standards as published in current advisory circulars and codes. Project eligibility requirements for specific project types are identified in the AIP Handbook. In general, planning, development, land acquisition and noise program projects are eligible for AIP if:

- Sponsorship and airport eligibility requirements are met
- Project is consistent with the relevant area planning documents (e.g. state and regional system plans)
- Sufficient funds are available for the project elements not funded by AIP
- Project will be completed in a reasonable time frame
- Airport is in the NPIAS

- Project is greater than \$25,000 (AIP funds) in size
- Project is included in an approved Airport Layout Plan (ALP)
- Project is located within the airport boundary (with specific exceptions)

Projects (or portions of projects) that are specifically prohibited from using AIP funds include decorative landscaping, public art, and for public auto parking facilities, hangars, or airport building elements that are associated with airport revenue generation.

FAA gives the highest priority to eligible projects that increase the capacity and enhance the safety, security and efficiency of the U.S. airport and airway system.

## Federal Share and Local Match

Allowable project costs are reimbursed by AIP funds up to a fixed percentage of the total project cost. The remainder of project costs must be funded by other sources, which often include the airport sponsor as local match and WSDOT Aviation Division Airport Aid grant program. Exhibit 3-8 summarizes the local match requirement for the primary airport types.

**Rosalia Municipal Airport reports, "The airport has delayed several projects due to lack of local funding to match FAA/WSDOT grants. Large scale projects will continue to be an issue due to lack of revenue generated by the airport and Town."**

From 2004 to 2011, the FAA funded 95% of AIP projects for smaller commercial and GA airports, requiring a 5% local match. With the passage of the FAA Modernization and Reform act of 2012, the local match increased to 10%. This change has highlighted the challenges that smaller NPIAS airports have in locating or providing local resources to make the match requirements, and has placed additional burden on state and local agencies to fund capital projects. Further, some projects have been delayed or cancelled due to

insufficient availability of local funds. **Rosalia Municipal Airport reports, “The airport has delayed several projects due to lack of local funding to match FAA/WSDOT grants. Large scale projects will continue to be an issue due to lack of revenue generated by the airport and Town.”**

## Leveraging AIP Funds in Washington State

### 10-Year Historic Review

Over the past 10 years, Washington State airports, users, and the public have benefitted from an average of nearly \$100 million in AIP grants annually. Exhibit 3-9 illustrates the range in the number and total dollar amounts of annual AIP grants. The number and dollar amount of annual AIP grants peaked in 2009, when American Reinvestment and Recovery Act (ARRA) funding (\$1.1 billion nationally) was invested in projects that could be implemented within two years. In response to

the Great Recession crisis, the intent of ARRA funding was to immediately save or create jobs and improve national transportation infrastructure. Washington State airports received nine additional AIP (ARRA) grants in 2009, totaling more than \$44 million.

Of the 134 public use airports in Washington State, 64 are NPIAS airports, and are eligible for federal AIP funding.

Within the past ten years, Washington State’s 11 primary commercial service airports leveraged an average of 73% of the total AIP apportionment (Exhibit 3-10). The remaining 27% was divided between the remaining 53 NPIAS airports. NPIAS GA airports leveraged an average of 17%, leaving 10% to split between NPIAS non-primary commercial (e.g. Orcas Island, William Fairchild International), reliever (e.g. Renton Municipal, Paine Field) and state-sponsored airports or programs (e.g. Methow Valley State, airport planning).

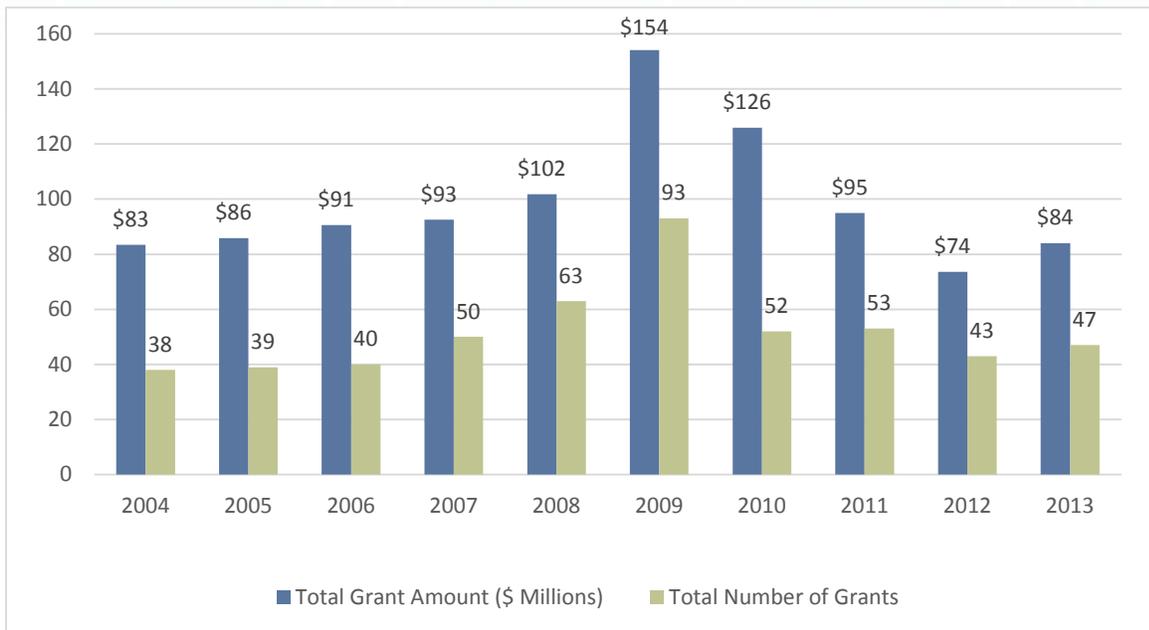
**EXHIBIT 3-8  
Local Match Requirement (by Airport Type)**

Airport Type	Local Match	Notes
Primary Commercial <ul style="list-style-type: none"> <li>• Large Hub</li> <li>• Medium Hub</li> </ul>	25%	Exceptions for noise projects (20%), states with large amounts of public land, U.S. insular areas
Primary Commercial <ul style="list-style-type: none"> <li>• Small Hub</li> <li>• Non-Hub</li> </ul>	10%	Previously 5% from 2004 to 2011. Exceptions for states with large amounts of public land, economically distressed areas, and U.S. insular areas.
Non-Primary Commercial General Aviation Reliever	10%	Previously 5% from 2004 to 2011. Exceptions for states with large amounts of public land, economically distressed areas, and U.S. insular areas.
Privatized Airport	30%	

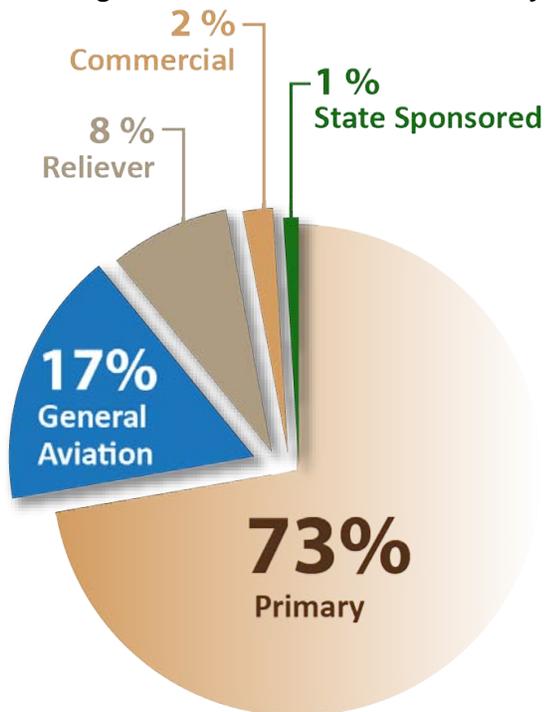
Source: FAA AIP Handbook



**EXHIBIT 3-9**  
**Number and Total AIP Grant Amounts in Washington State**



**EXHIBIT 3-10**  
**Washington State AIP Grant Breakdown by Service Type**



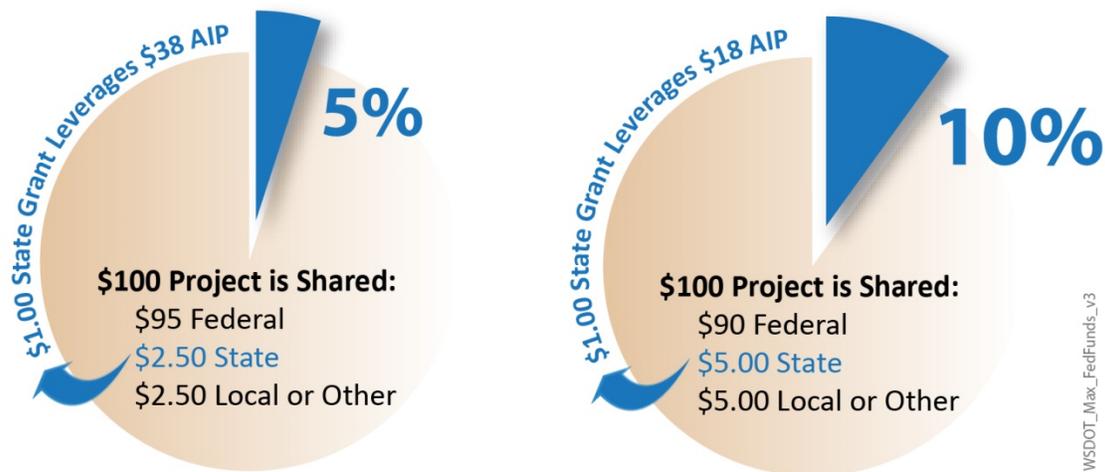
WSDOT\_AIP\_Apportionment\_WA\_v1

*Averaged from 2004 to 2013*

EXHIBIT 3-11

**Calculated Maximum Federal Funds: State Fund Leverage Ratio**

Compared at 5% and 10% local match requirement.



WSDOT\_Max\_FedFunds\_v3

\*Note: Maximum ratio is based on state providing 50% of local match requirement.

### State Airport Aid Leveraging AIP Funds

All of Washington State’s public-use airports are eligible for state grants, as administered by the Washington State Department of Transportation (WSDOT) Aviation Division. The State’s Airport Aid Program leverages excise taxes on aviation fuels, aircraft, dealer’s licenses, and other sources to fund WSDOT Aviation’s programs such as the state-managed airports, land use, emergency services, and grant in aid for capital projects. WSDOT administered an average of \$1.1 million in grants per year over the last 10 years (2004 – 2013).

Non-NPIAS airports utilize State Airport Aid grants to fund a variety of capital improvements. The maximum grant allowable for any one airport is \$250,000 (RCW 47.68.090). State grants are also often used to fund the non-federal portions of AIP grant projects at NPIAS airports. WSDOT has traditionally provided up to one-half of the local match requirement. **Currently, with the AIP 10% local match requirement, the maximum amount of AIP funds that may be leveraged is \$18 AIP per \$1 state.** Exhibit 3-11 illustrates the difference in ability to leverage

AIP funds with state funds, based on the AIP match requirement.

Exhibit 3-12 depicts the extent that State Airport Aid has leveraged federal AIP grant funds for the past eight years. From 2006 to 2013, \$1 of Washington State Aeronautics account has leveraged an average of \$31.87 in federal AIP funds<sup>1</sup>. This has been relatively stable over the past eight years. The dip in 2010 is attributable to a dip in the 2009-2011 biennium funding available, which resulted in a larger portion of the funding awarded to non-NPIAS airports. In 2013 with the onset of the 10% local match requirement, WSDOT’s “buying power” has decreased, and may expect to trend closer to \$18 as illustrated in Exhibit 3-11.

On average state funds have been split 47% to NPIAS airports in Washington State, and 53% to non-NPIAS. In accordance with the WSDOT Airport Aid Grant Procedures Manual (May 2013), 55% of Airport Aid funds are targeted to NPIAS GA airports with 20 or fewer based aircraft, and non-NPIAS airports. 45% is

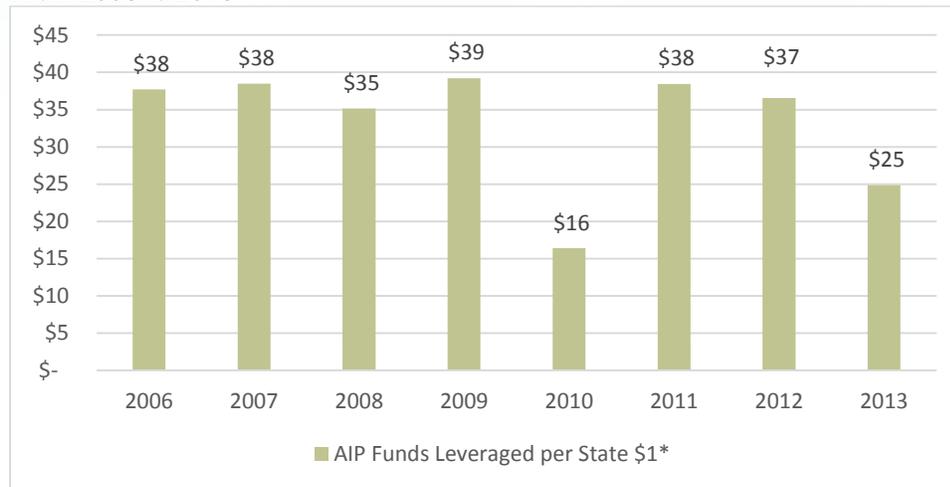
<sup>1</sup> “Airport Aid Funding Needs – Average Federal Funds Leveraged.xls,” WSDOT Grant Leveraging History Summary, Eric Johnson.



## EXHIBIT 3-12

### Historic AIP Funds Leveraged by Washington State Airport Aid

From 2006 to 2013



Source: "Airport Aid Funding Needs – Average Federal Funds Leveraged.xls," WSDOT Grant Leveraging History Summary, Eric Johnson.

\*Ratios exceed maximum illustrated in Exhibit 3-11 due to state funds providing less than 50% of local match requirement in some instances.

targeted as a local match for projects at NPIAS airports.

## Forecast

As previously discussed, the Airport and Airway Trust Fund (AATF) is the primary source of funding for the FAA's investments in the AIP. Trust fund revenues come largely from taxes on airline tickets, aviation fuel, and air cargo. The financial health of the AATF is important to ensure sustainable funding for the AIP without increasing demands on general funds.

## Trust Fund Receipts and Expenditures

The Treasury department forecasts short and long-term receipts for the various excise taxes that comprise the AATF. Forecasts are based on the Treasury's model estimates of aviation demand, such as predicted enplanements (domestic and international), freight ton-miles, and fuel demands. The model assumes that growth in demand is unconstrained by limitations on infrastructure capacity. This model is used to predict AATF-related tax revenue sources, such as aviation fuel sales, airline trips, etc. as identified in Exhibit 3-1. The Treasury provides revenue forecasts to the

OMB for the budget year, and five years beyond the budget year. The FY 2014 budget includes revenue forecasts for the AATF to year 2018.

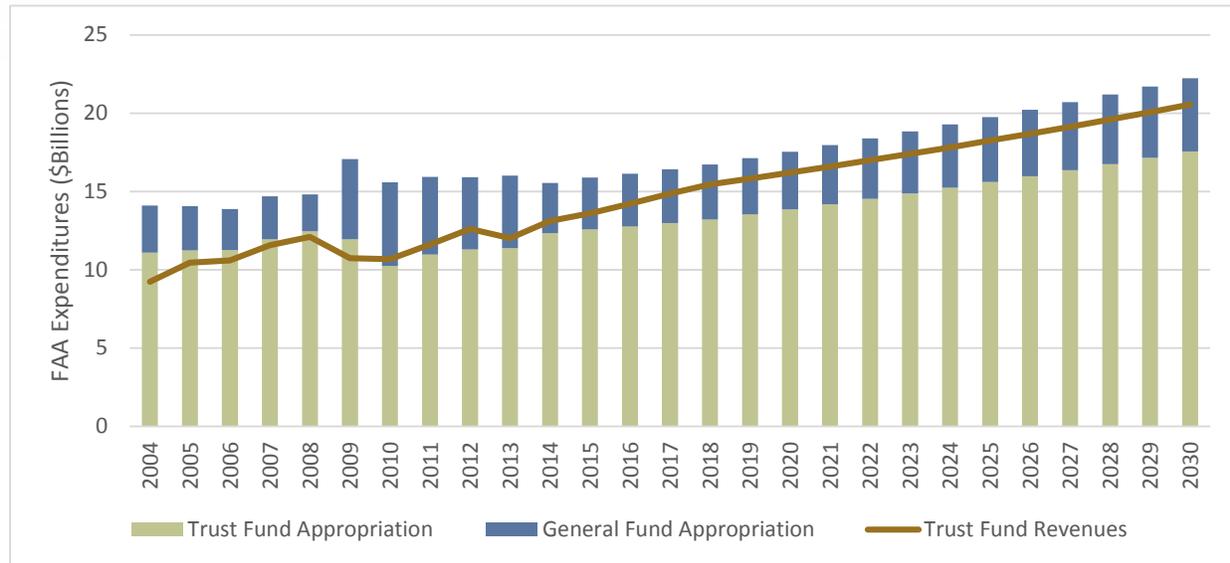
The FAA works with the OMB to develop forecast budget expenditures that align with the budget year revenue forecasts, and then aligns its programs and plans with the longer-term expenditure targets. Congress ultimately determines the appropriate level of revenues and expenditures for the given budget year.

Historically, and even in current year FY 2014 and forecast budgets, appropriations for FAA expenditures have exceeded current and forecast AATF revenues. FAA expenditures over the projected/actual AATF revenues must be covered by the General Fund. Exhibit 3-13 compares forecast expenditures with AATF revenues to the year 2030. OMB uses inflation adjustments and projects longer-term expenditures to grow roughly at the forecast rate of Gross Domestic Product (GDP) growth. An annual GDP growth rate of 2.4% has been used to project the 2018 to 2030 revenues and expenditures, based on Congressional Budget Office estimates to 2023 (CBO, 2013).

EXHIBIT 3-13

**FAA Forecast Expenditures Comparison with AATF Revenues**

*Expenditures continue to exceed AATF revenues*



**AATF Sustainability**

In order to ensure that revenue collected for the AATF is being spent on aviation needs, Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) (2000) and Vision 100 (2003) authorizations mandate that the total authorization from the AATF be made available to the budget each year. If AATF revenues fall short of the forecast and appropriated amount, then the AATF’s available (uncommitted) balance is reduced to accommodate the shortfall. Alternatively, if planned FAA expenditures exceed forecast AATF revenues, the Treasury’s General Fund is leveraged to bridge the gap.

**AATF Revenues Falling Short of Forecasts**

Since 2000, forecasts of expected AATF revenues have generally exceeded actual receipts. Reasons for this include significant and unforeseeable events that have significantly impacted demand for aviation services, such as the September 11, 2001 terrorist attacks, and impacts of the great recession. Both of these events had significant impacts on aviation usage, and as a result, the excise taxes feeding the AATF were impacted. Further, the great recession changed the way

airlines operated their business. With fuel costs escalating, and enplanements decreasing, the airlines significantly reduced capacity by filling more seats on fewer, but larger aircraft. Airlines also introduced fee structures that included non-ticket fees for baggage and in-flight services that keep ticket prices low, and are not subject to the excise tax that feeds the AATF.

Due to revenues falling short of forecasts, the available (uncommitted) amount in the AATF has been depleting. At the end of 2009, the balance reached a low of \$299 million (GAO, 2012), second only to the 2002 drop-off following the terrorist attacks of 9/11. Congress has taken action in recent years to obligate only a portion of what is forecast in the AATF to help bolster uncommitted balances. The risk is that if actual revenues continue to fall behind forecast levels, and Congress appropriates funds at the forecast level, then revenues could be insufficient to cover all of the FAA obligations, and lead to further FAA budget woes, impacting programs and projects. The net result of AATF revenues falling short of forecasts is less AIP grant-in-aid available for Washington State airports.



## FAA Expenditures Exceed AATF Revenues

As illustrated in Exhibit 3-13 and as previously discussed, planned FAA expenditures continue to exceed forecast AATF revenues through 2018. General Funds are used to supplement these needs. Historically, from 2000 to 2014, the average percentage of appropriations from the General Fund have been 21%. The FY 2014 FAA budget projects a 21% contribution by the General Fund from 2014 to 2018. This contribution has been projected through 2030, and averages \$3.8 billion annually.

FAA operational needs and commitment to key national aviation programs, such as NextGen (modernization of the Nation's air traffic system), continue to drive total appropriation requests up, and AATF revenues have not been keeping pace. Federal policy issues to manage the overall budget deficits by reducing spending, combined with significant competing interests for general fund monies will continue to provide pressure on the ability to leverage general funds for FAA operations and capital grant funding needs as they exist today.

## AIP Projections

Recent history has demonstrated that funding levels for the AIP are not tied to the forecast or actual performance history of the AATF. When airline activity was most severely impacted during the post 9/11 years, and during the recent economic downturn, the legislature produced extra funding to help reinvigorate jobs and the overall economy by implementing airport capital projects.

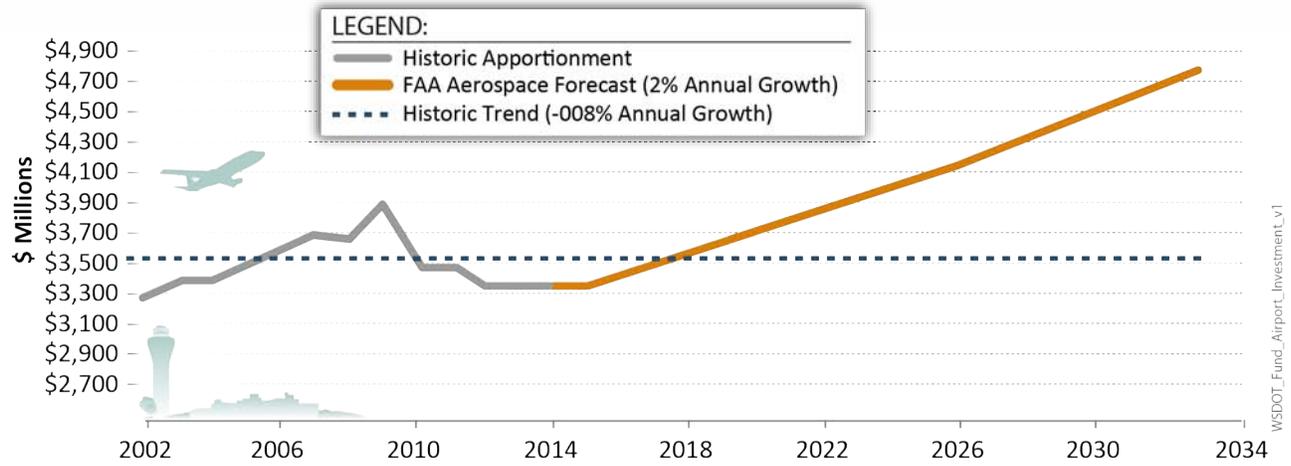
Executive and legislative policy drives how much money is provided to accomplish the FAA's program, including the AIP. The 2014 budget continues the \$3.35 billion AIP authorization. The FAA Modernization and Reformation Act of 2012 extends the \$3.35 billion to FY 2015. Beyond that, it is not appropriate to forecast based on policy-alone. A regression analysis for the appropriations from 2002 to 2014 indicates that an average growth rate of -0.008% is what we have experienced for AIP authorizations during this timeline. This policy-driven trend line is extended through 2033 in Exhibit 3-14.

As previously discussed, domestic enplanements provide over 72% of the revenue for the AATF. As such, FAA forecasts of aviation activity are used to forecast AATF revenues, and associated funds available for AIP grants. The FAA forecasts domestic enplanements to grow at an average annual rate of 2.0% from 2014 to 2033 (FAA, 2013c). As an upper limit, this demand-driven forecast is also shown in Exhibit 3-14.

From 2002 to 2013, Washington State has received between 2.2% to 4.0% of the authorized AIP funds available (FAA, 2014). The median during this timeline is 2.6%. For the purposes of estimating forecast funding available to Washington State, 2.6% of the projected overall authorization is used. Exhibit 3-15 illustrates potential funding history and projections for Washington State, allowing for 2% growth in the authorization beyond 2015. In this scenario, **Washington State would see annual AIP allocations growing from \$88 million (2013) to over \$120 million over the next 20 years.**

**EXHIBIT 3-14  
AIP Forecasts**

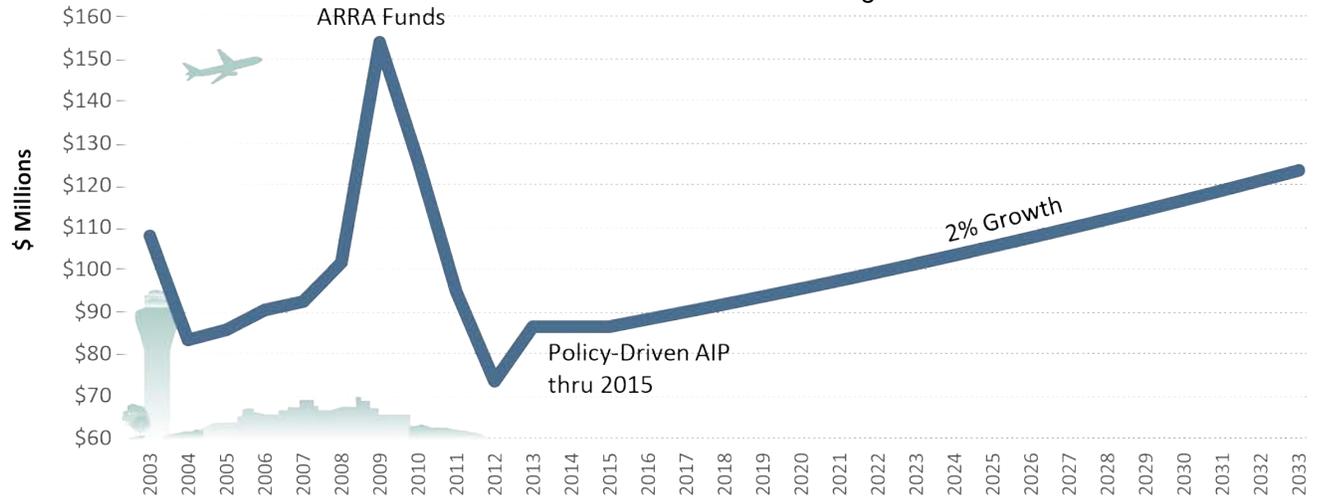
*Policy, aerospace forecast, and historic trends compared*



Source: FAA, CH2M HILL

**EXHIBIT 3-15  
Washington State AIP Allocations – Actual and Forecast**

*Forecast allocations based on median 2.6% historic allocation to Washington State*



Source: FAA, CH2M HILL



# STATE AIRPORT AID

## Background

As critical components of Washington State's transportation system and access provided to the national and global air transportation system, WSDOT has an interest in the safety, vitality and capacity of our 134 public use airports. This section investigates how state revenues are generated and used to support aviation in Washington State.

### Airport Aid Grant Program

RCW 47.68 charges WSDOT Aviation with the administration of the Airport Aid Grant Program, which provides critical financial support to public-use airports in the preservation of Washington's system of airports. The primary goal of the program is to "keep Washington's aviation system healthy and strong, and secondly to distribute public funds in a manner that meets state laws and requirements."<sup>2</sup>

An annual competitive grant program provides airports the opportunity to receive funds to help support critical safety, pavement, maintenance, security and planning projects.

### Overview of the Aeronautics Account

The aeronautics account was established in 1967 (RCW 82.49.090) to provide funds for the administration of the Aviation Division of the Department Transportation (WSDOT Aviation).

These funds are used to:

- Provide grants to local airports
- Assist planning and provide technical assistance
- Maintain state-owned airports

A number of revenue sources are leveraged to fund the aeronautics account. Taxes and fees that currently fund the aeronautics account include:

- Motor vehicle fuel tax (0.028% of gas tax collections)
- Aircraft fuel tax (11.0 cents per gallon)
- Aircraft excise tax (fixed rates based on aircraft type from \$20 to \$125)
- Aircraft dealer license fees (\$75 per year per dealer)
- Aircraft registration fees (\$15 per year per aircraft)
- United States Dept. of Transportation aviation funding
- Other sources (for example, FAA inspections, state-managed airport hangar rental income, sale of timber and other property)
- Treasury deposit earnings

These revenue sources are critical to the State's ability to provide support services and aid to Washington State airports. The sources are explored in detail as follows.

## History of Aviation Revenue in Washington State

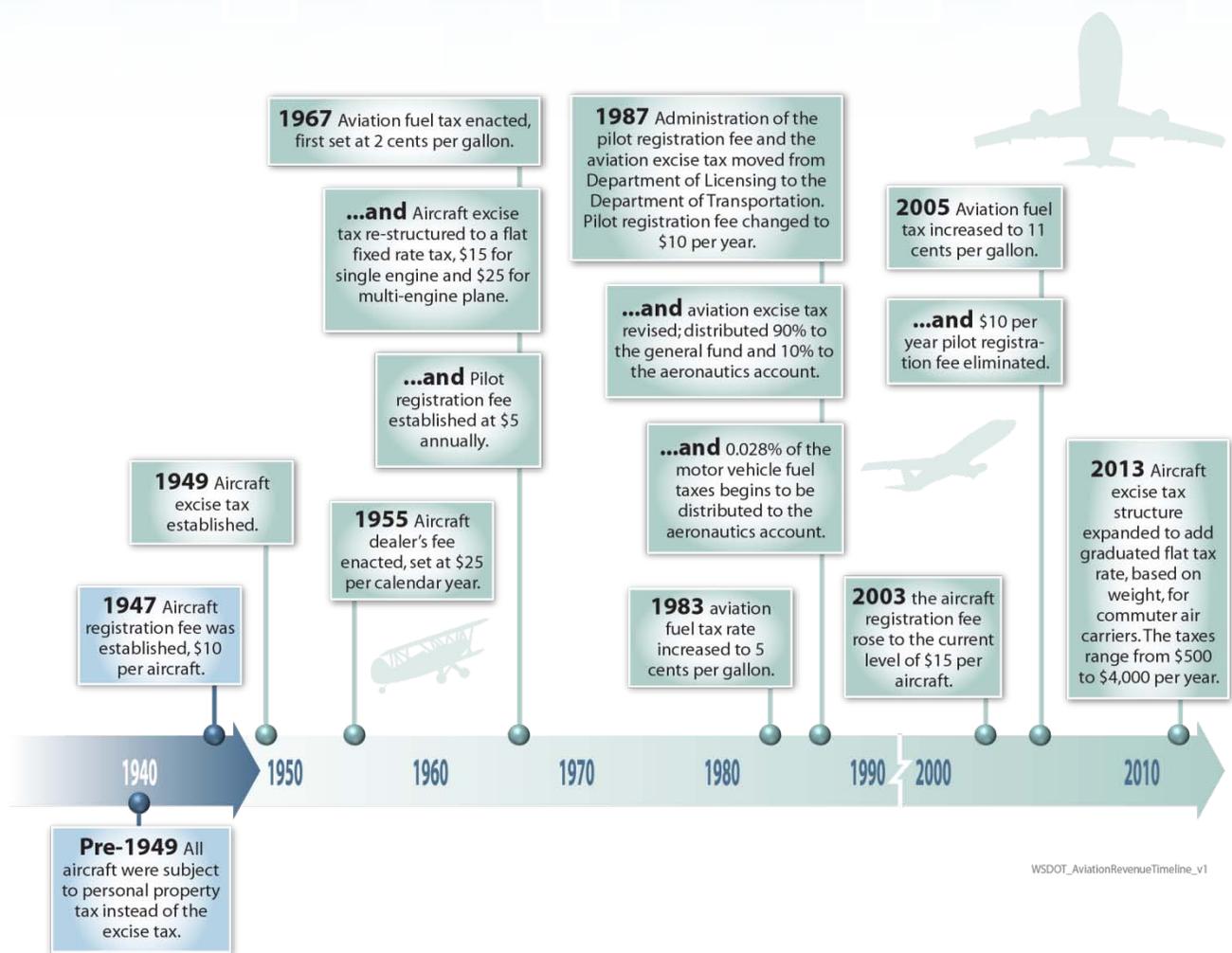
This section reviews the legislative history of the revenue sources for the State Aeronautics Account and analyzes historical performance of each source to understand how they comprise and influence the performance of the aeronautics account.

### Legislative History of Revenue Sources

Exhibit 3-16 summarizes the chronological history of the key legislative actions and resulting changes in aviation revenues in Washington State. The paragraphs that follow provide a more detailed summary of these actions.

<sup>2</sup> "WSDOT Airport Aid Grant Procedures Manual", WSDOT Aviation, May 2013

**EXHIBIT 3-16  
A Chronological History of the Key Changes in Aviation Revenues**



WSDOT\_AviationRevenueTimeline\_v1

**Prior to 1949**

Under Washington state law, aircraft (dependent on type) are subject to either property tax or the aircraft excise tax. Prior to 1949, all aircraft were subject to personal property tax.

**1947**

(RCW 47.68.250)

Washington established an aircraft registration fee of \$10 per aircraft. The aircraft registration fee was lowered then fluctuated for a time, and was eventually raised to \$15 per aircraft in 2003. In 1947, Washington State established the requirement to have certificates, permits or licenses for any person operating an aircraft. The Department of Licensing

administered this program; no fee was required at the time.

**1949**

(RCW 82.48.030)

The Legislature established the aircraft excise tax for use of aircraft in the state. The aircraft excise tax was originally set at 1% of the value of the aircraft (similar structure to the motor vehicle excise tax), and was administered by the Department of Licensing. Additionally, the aviation excise tax was deposited in the motor vehicle excise fund, part of the state general fund. The following types of aircraft were exempt from the excise tax:

- Commercial flying aircraft
- Aircraft owned by nonresidents
- Aircraft being held for sale



- Aircraft owned by a manufacturer while being operated for test or experimental purposes

Since 1949, if an aircraft was subject to excise tax the owner was exempt from paying personal property tax on the aircraft. Large commercial airlines paid the state centrally assessed property taxes on their aircraft instead of the excise tax. The commercial airline property tax varied year to year and from county to county, and was based on the value of the property concerned.

### 1955

(RCW 14.20.050)

The aircraft dealer's fee was enacted, set at \$25 per calendar year.

### 1967

(RCW 82.42.020)

The aviation fuel tax was enacted into law. The tax was first set at 2 cents per gallon. The aviation fuel tax was deposited into the aeronautics account (also created in 1967) within the state general fund.

(RCW 82.48.030)

The aircraft excise tax was re-structured; it was changed from a tax based on percentage of the aircraft value to a flat fixed rate tax of \$15 for single engine planes and \$25 for multi-engine planes. The revenue from the aviation excise tax continued to be deposited in the motor vehicle excise fund.

(RCW 47.68.250)

The State Aeronautics Commission established the Washington pilot license fee, set at \$5 annually.

### 1983

(RCW 82.42.020)

The minimum aviation fuel tax rate was increased from 2 cents (in 1967) to 5 cents per gallon, and the aircraft excise tax rate structure was raised to the current tax rate today, as shown in Exhibit 3-16.

### 1987

(RCW 47.68.250)

Administration of the pilot registration fee and the aviation excise tax moved from the Department of Licensing to the Department of Transportation. This law also increased the pilot license fee from \$5 to \$10 per year.

(RCW 82.48.030)

Originally, 100% of the funds from the aviation excise tax were deposited in the general fund. In 1987, this changed to 90% to the general fund and 10% to the aeronautics account for administrative expenses.

(RCW 82.36.415)

The legislature passed a law requiring a portion of motor vehicle fuel taxes to be distributed to the aeronautics account. This provision compensated for unclaimed gasoline used in aircraft that did not pay the aviation fuel tax. The percentage distributed from the motor vehicle fuel taxes was set at 0.028% and has not changed since.

### 2000

(RCW 82.42.020)

The aviation fuel tax rate increased to 6.5 cents per gallon.

### 2003

(RCW 47.68.250)

The aircraft registration fee rose to the current fee level of \$15 per aircraft.

### 2005

(Bill 5414, RCW 47.68.233, RCW 47.68.234, and RCW 47.68.236 repealed)

The \$15 per year pilot registration fee was eliminated. The aviation fuel tax was raised to 11 cents per gallon.

### 2013

(RCW 82.48.030)

The aircraft excise tax structure expanded to add graduated flat tax rates, based on weight, for commuter air carriers. The tax ranges from \$500 to \$4,000 per year.

## Performance History of Revenue Sources

The past 10 years have been a highly tumultuous time for the U.S. and global economy, and for the aviation industry as well. The 10-year performance of each revenue source for the Aeronautics Account is discussed in the following paragraphs.

### Motor Vehicle Fuel Tax Distribution

Since 1987, 0.028 percent of gross gasoline tax collections each month (as set in RCW 82.36.415) of the motor vehicle fuel tax have been deposited in the aeronautics account. The purpose of the transfer is to estimate the amount of gasoline fuel used in aircraft that could have been taxable under the aviation fuel tax rate if aviation fuel was purchased. **For the past 10 years, the transferred motor vehicle tax has averaged \$258,000 per year for the aeronautics account, and \$281,000 over the past 5 years.**

### Aviation Fuel Taxes

Current law RCW 82.42.020 authorizes the aircraft fuel tax and sets the tax rate at 11 cents per gallon. The tax rate has been the same since 2005. The Department of Licensing collects the aircraft fuel tax, which is deposited in the aeronautics account. The aviation fuel tax is the largest single source of revenue for the aeronautics account. **Over the past ten years, this tax generated on average \$2.5 million per year.**

RCW 84.42.030, RCW 82.42.020 and RCW 82.42.070 establish exemptions from the aviation fuel tax. Excluding exports, the largest exemption is for aviation fuel for commercial use. This includes fuel delivered directly to an air carrier, supplemental air carrier and local service commuters. An 'air carrier' is any airline, air cargo carrier, air taxi, air commuter, or air charter operator, that provides routine air service to the general population for compensation or hire. It must operate at least fifteen round trips per week between two or more points and publish flight schedules which specify the times, days of the week, and points between which it operates.

A 'local service commuter' is an air taxi operator who operates at least five round-trips per week between two or more points. It must publish flight schedules which specify the times, days of the week, and points between which it operates; and whose aircraft has a maximum capacity of sixty passengers or eighteen thousand pounds of useful load.

There are also exemptions from the fuel tax for:

- Farm use - aircraft that both operate from a private, non-state-funded airfield during at least ninety-five percent of the aircraft's normal use and are used principally for the application of pesticides, herbicides, or other agricultural chemicals
- Testing or experimental purposes
- Training of crews for purchasers of aircraft who are certified air carriers
- Emergency medical air transport entities

**In 2011, the State of Washington's Joint Legislative Audit & Review Committee (JLARC) calculated that in 2010, between January and September, commercial airlines purchased 229 million dollars of tax exempt fuel in Washington State.**

### Aviation Excise Tax

Since 1949, Washington State has imposed an aviation excise tax, which was originally modeled after the motor vehicle tax as a percentage of the value of each aircraft. The structure of the excise tax was changed to a fixed rate tax based on the type of aircraft in 1967 and the rate structure has expanded over time as set forth in RCW 82.48.030. Exhibit 3-17 depicts the current aircraft excise tax rate structure for non-commuter aircraft.

**EXHIBIT 3-17  
Non-commuter Aircraft Excise Tax**

Type of Aircraft	Flat Tax
Single-engine fixed wing	\$50
Small multiengine fixed wing	\$65
Large multi-engine fixed wing	\$80
Turboprop multiengine fixed wing	\$100
Turbojet multiengine fixed wing	\$125
Helicopter	\$75
Sailplane	\$20
Home built	\$20



In 2013, the aircraft excise tax was expanded to include a new tax rate structure for commuter aircraft. The new law defines commuter air carriers in state law consistent with federal law: an air carrier holding authority, meeting certain federal regulations, transports passengers on at least five round trips per week according to published flight schedules. In addition, the commuter airplane company must have ground property and equipment located primarily on private property. The new tax rate structure for aircraft meeting the commuter air carrier definition is shown in Exhibit 3-18.

**EXHIBIT 3-18  
Commuter Aircraft Excise Tax**

Gross Max Take-off Weight of Aircraft	Flat Tax
Less than 4,001 lbs.	\$500
4,001-6,000 lbs.	\$1,000
6,001-8,000 lbs.	\$2,000
8,001-9,000 lbs.	\$3,000
9,001-12,500 lbs.	\$4,000

The original aircraft excise tax was modeled after the motor vehicle excise tax, and the distribution of this tax went to the motor vehicle excise fund, which was part of the state general fund. **In 1987, the current distribution of the aircraft excise tax of 90% to the state general fund and 10% to the aeronautics account was enacted into law.** The large majority of the funds going to the state general fund can be used for purposes of general government as appropriated by the Legislature. The 10% of the revenue going to the aeronautics account can be used to cover the cost of administration by WSDOT Aviation.

There are current law exemptions from the aviation excise tax, outlined in RCW 82.42.100 as listed below:

- Aircraft owned by U.S. government or any political subdivision
- Aircraft registered by a foreign country
- Aircraft owned by manufacturer or dealer if part of stock in trade

- Aircraft registered in another state unless aircraft based in this state for 90 days or longer
- Aircraft owned by a nonprofit organization exempt from federal income tax under 26 U.S.C. §501(c)(3), and, be exclusively used to provide emergency medical transportation services

**Over the past 10 years, the aviation excise tax has on average generated \$320,000 for the state general fund (90% of total revenue) and \$32,000 (10% of total revenue) for the aeronautics account.**

**Aircraft Dealers' License Fees**

Current law, RCW 14.20.050 and 14.20.060, authorizes the aircraft dealers' license fee and sets the fee at \$75 per year for both original issue and renewals. Additional aircraft dealer certificates may be obtained for \$10 per year. This current fee rate has been the same since 1998. The Department of Transportation administers and collects the aircraft dealers' license fees. All money from the dealers' license fees are deposited in the aeronautics account in the Washington State Department of Transportation Multimodal Transportation Account.

Over the past 10 years, this tax has generated minimal revenue because the number of dealers averaged 53, and that number continues to decline. **On average over the past 10 years, dealers' license fees generated nearly \$4,000 per year.** In 2013, dealers' license fees generated slightly over \$3,000.

There are no current law exemptions from the aircraft dealer's license fees.

**Aircraft Registration Fees**

The aircraft registration fee is the oldest aviation related fee. It was established in 1947 and set at up to \$10 per year per aircraft. Currently the fee is \$15 per year per aircraft as set in law in RCW 47.68.250 in 2003. All of the revenue is deposited in the aeronautics Account.

The current law exemptions for the aircraft registration fee are:

- Aircraft owned by U.S. government or any political subdivision
- Aircraft registered by a foreign country
- Aircraft engaged in interstate commerce
- Aircraft owned by manufacturer or dealer if part of stock in trade
- Aircraft registered in another state unless aircraft are based in this state for 90 days or longer

The aircraft registration fee, over the past ten years, has generated on average \$89,500 per year. **Over the past 5 years, the average revenue from registration fees per year has increased to \$92,300 as the number of aircraft registered in the state has risen.**

### United States Department of Transportation (USDOT) Funding

Funding from USDOT, via FAA, to Washington State is an important part of aviation's total funding. Over the past 10 years, federal aviation revenue has been 18.8% <sup>3</sup>of all aviation revenue in the aeronautics account. **On average over the past 10 years, federal aviation revenue has been a little less than \$700,000 per year.**

### Interest Income

The aeronautics account accrues interest income each month. Over the past 10 years, this income magnitude has varied depending on the prevailing interest rates and fund balance in the account. In 2007, interest income was nearly \$110,000, but in 2013 with low interest rates, the aeronautics account interest earnings were only \$11,139. **On average over the past 10 years interest income has been 1.5% of total revenue in the aeronautics account.**

<sup>3</sup> Washington State DATAMART accounting system. Note this revenue is a percentage of the Aviation Division's budget and is not correlated to Airport Aid funds or leveraging federal FAA grants with state grants.

### Other Sources

Most of the revenue sources in this other revenue category are not large and in most cases are inconsistent from year to year. The funds in this category can be classified as other fees and income or as accounting adjustments. **For the past 10 years, the other revenue category had a total of \$1 million or 2.76% of total aviation revenue (\$37.2 million).**

Other revenue in the aeronautics account includes the following revenues and accounting adjustments:

#### Other Fee or Income

- Charges for services
- Fines and forfeits
- Income from property
- Investment income
- Other licenses, permits and fees
- Property and resources management
- Sale of property
- Tort claim reimbursement
- Cost of investment activities

#### Accounting Adjustments

- Cash over short
- Operating transfers
- Recoveries of prior appropriation expenses

Fines, forfeits and seizures are the largest single revenue source in this other category. Over the last 10 years, they totaled \$243,659 or 25% of all other revenue. During this timeframe, other revenues have been eliminated, such as the pilot and mechanics license fees. The other license, permit and fee revenue totaled \$68,100 (last 10 years), but after the elimination of the pilot and mechanics license fees totaled only \$55,000 since 2007.

The property and resource management revenue was consistent with an average revenue stream of \$7,500 from 2004-2009, but since 2009 there has been no annual revenue. The sale of timber and property is an example of a sporadic revenue stream. Over the past 10 years, there have only been 2 years of sale of timber property totaling \$140,302, and one property sale of \$3,900. The cost of investment



activities is always negative, but has been declining recently with the decline in investment income. In the past 10 years, the average annual cost of investment activities has been just below \$3,000.

The largest **accounting adjustment** in the aeronautics account over the past 10 years has been the recovery of prior appropriation expenses. This adjustment totaled \$480,802 over the past 10 years with the largest adjustment being in FY 2010 when there was a \$291,262 adjustment.

### Performance History of the Aeronautics Account

With an understanding of how each of the revenue sources is derived and past performance, this section evaluates how the sources come together to comprise the aeronautics account. The following paragraphs provide a performance history of the aeronautics account, and further delve in to how the account is expended to provide benefit to Washington State's public use airports.

Exhibit 3-19 depicts state funds distributed to the aeronautics account over the past 10 years (2004 to 2013). As the chart illustrates, **the largest share of revenue is from the aviation fuel tax (95%) with the other sources contributing 5%.**

**EXHIBIT 3-19**  
**10 Years (2004 to 2013) of State Funding in Aeronautics Account**  
(Total \$37.2 million)

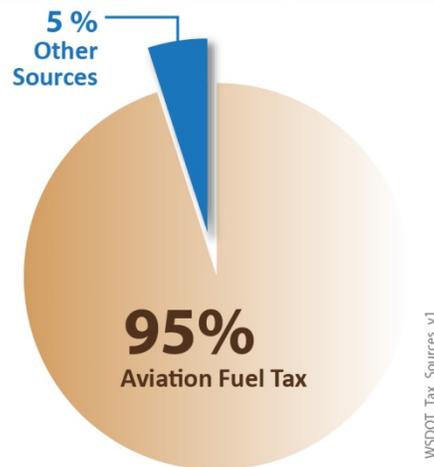


Exhibit 3-20 provides a ten-year history of the aeronautics account, broken down into each revenue source. **Annual aeronautic account revenues have ranged between \$2.7 million to \$5.5 million, with an average of just over \$3.7 million annually.** Program revenues include FAA grants for planning studies and improvements at the Methow Valley State Airport.

**EXHIBIT 3-20**  
**10 Years (2004-2013) Historical Aeronautics Account Revenue**  
*Breakdown by revenue source.*

Revenue Source	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Aircraft License Permits and Fees <sup>1</sup>	156,776	175,257	98,332 <sup>5</sup>	91,556	93,077	92,186	95,855	94,527	97,289	102,755
Federal DOT Revenue <sup>2</sup>	33,021	941,984	2,667,143	731,258	241,604	217,267	10,490	427,410	937,398	781,464
Excise Taxes <sup>3</sup>	27,060	38,219	33,692	23,714	29,764	30,587	27,807	29,361	51,746	28,493
Aviation Fuel Tax	2,234,298	2,249,716	2,440,446	2,725,687	2,732,163	1,898,949	2,561,754	2,437,072	3,059,663	2,430,980
Motor Vehicle Fuel Tax	210,277	213,919	230,269	255,490	272,068	281,568	281,931	281,337	279,566	280,939
Interest Income	31,352	55,472	70,211	109,665	101,651	63,033	38,900	22,600	119	2,495
Other Revenue <sup>4</sup>	4,803	30,468	48,173	19,562	25,931	226,546	427,618	21,949	103,362	57,879
<b>Total Revenue</b>	<b>2,697,587</b>	<b>3,705,035</b>	<b>5,588,266</b>	<b>3,956,931</b>	<b>3,496,258</b>	<b>2,810,136</b>	<b>3,444,365</b>	<b>3,314,310</b>	<b>4,529,143</b>	<b>3,685,005</b>

<sup>1</sup>This includes both aircraft registration fees and the dealers' license fees.

<sup>2</sup>Federal funding varies.

<sup>3</sup>This is just a portion of the aircraft excise taxes; those deposited into the aeronautics account.

<sup>4</sup>Other revenue includes the following: cash over short, charges for services, cost of investment activities, fines and forfeits, income from property, operating transfers, property and resources management, recoveries of prior appropriation, sale of property and tort claim reimbursement.

<sup>5</sup>Discrepancy between 2005 and 2006 in aircraft license permits and fees is due to the elimination of the \$10 per year pilot registration fee in 2005.

# History of Aviation Expenditures in Washington State

## Use of Aeronautics Account Funds

The aeronautics account was established to provide funds for the administration of the Aviation Division within the Department of Transportation, support state and local airport capital projects, and maintain state-owned airports. Three primary uses of the funds include:

- Assisting airports with planning and technical assistance
- Providing grants to local airports

- Operating and maintaining state-owned airports

Exhibit 3-21 provides a 10-year history of expenditures from the Aeronautics Account. As Exhibit 3-22 reveals, **51.7% of the total expenditures supports the airport aid program, 18.2% goes for aviation management and support, and 16.2% funds aviation planning.**

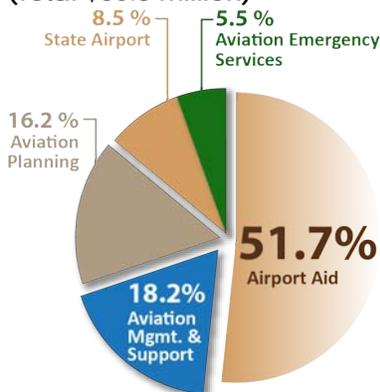
The annual expenditure for Airport Grants program has ranged from nearly \$400,000 (2004) to over \$4.1 Million (2006). **Over the past 10 years, an average of just over \$1.9 million in airport aid funds have been expended to preserve and enhance Washington State airports<sup>4</sup>.**

**EXHIBIT 3-21  
Annual Expenditures (2004 to 2013) from the Aeronautics Account: Breakdown by Type of Expenditure**

Expenditures	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Aviation Management	\$696,071	\$673,158	\$631,120	\$685,479	\$702,275	\$688,397	\$764,540	\$568,359	\$613,639	\$663,333
Airport Grants Program	\$398,338	\$2,830,557	\$4,181,455	\$2,834,060	\$1,485,607	\$2,103,270	\$861,193	\$1,395,447	\$1,489,059	\$1,472,194
State Airport	\$167,887	\$243,817	\$179,725	\$408,726	\$289,863	\$305,177	\$292,511	\$421,768	\$300,741	\$509,240
Aviation Emergency Services	\$85,168	\$172,568	\$164,032	\$218,220	\$229,290	\$145,157	\$165,503	\$193,661	\$247,092	\$389,859
Aviation Planning	\$246,586	\$148,924	\$192,948	\$1,286,196	\$735,935	\$939,224	\$300,635	\$466,232	\$562,771	\$1,069,934
<b>Total Expenditures</b>	<b>\$1,594,050</b>	<b>\$4,069,025</b>	<b>\$5,349,280</b>	<b>\$5,432,681</b>	<b>\$3,442,968</b>	<b>\$4,181,225</b>	<b>\$2,384,381</b>	<b>\$3,045,468</b>	<b>\$3,213,302</b>	<b>\$4,104,559</b>

Note: Expenditures reflected align with state fiscal years and may not correlate with awarded grants spanning more than one fiscal year.

**EXHIBIT 3-22  
10 Years (2004 to 2013) of State Expenditures from the Aeronautics Account and FAA Funds (Total \$36.8 million)**



WSDOT\_State\_Aviation\_Expenditures\_v1

Aviation Aid = Airport Grants

<sup>4</sup> This figure encompasses expenditures that include program administration, aviation planning and studies.



## Recent Legislative Efforts

During FY 2003 to FY 2014, bills were proposed (Exhibit 3-23) in an attempt to alter aviation taxes and fees. Revenue sources that would have been affected or realigned include:

- Pilot registration fee
- Aircraft registration
- Aircraft excise tax
- Aircraft fuel tax exemptions
- Tax on enplanements
- Airplanes of historical significance
- Airplane manufacturer tax incentives
- Redirection of current revenue to Aeronautics Account
- Redirect from Aeronautics Account to the General Fund

A simplified discussion of the State Legislative Process is provided in Appendix 4.



Of the eight proposed bills, five were introduced in the Senate; three were introduced in the House of Representatives. Three were referred to the Transportation Committee, but did not receive a hearing before the cutoff date and were thus retained in their current status. Two were referred to the Ways and Means Committee, but did not

**EXHIBIT 3-23  
Proposed Bills and Affected Aviation Taxes and Fees**

Bill and Year	Pilot registration fee	Aircraft registration	Aircraft excise tax	Aircraft fuel tax	Aircraft fuel tax exemptions	Redirect current revenue to aeronautics account	Redirect from aeronautics account to general fund	Tax on enplanements	Airplanes of historical significance	Airplane manufacturer tax incentives	Sponsor
Senate Bill 5484 Yr. 2003				●	●						Senator Haugen
Senate Bill 5392 Yr. 2003	●	●	●								Senator Haugen
House Bill 3077 Yr. 2003								●			House Rep. Schual-Berke
Senate Bill 6039 Yr. 2005					●						Senator Haugen
Senate Bill 5351 Yr. 2005									●		Senator Berkey
House Bill 3107 Yr. 2009										●	House Rep. Morris
House Bill 2089 Yr. 2011			●				●				House Rep. Hasegawa
Senate Bill 5430 Yr. 2013			●			●					Senator Hobbs

receive a hearing before the cutoff date. One was referred to the Highways and Transportation Committee, but did not receive a hearing before the cutoff date. One was referred to the Transportation Committee, received a hearing before the cutoff date and passed. It was referred to Senate Rules Committee but did not receive a hearing before the cutoff date and was placed in hold status/no action taken (X-files). One was referred to House Finance Committee but did not receive a hearing before the cutoff date.

## Conclusion

Bills that passed (Exhibit 3-24) resulted in streamlined revenue collection and increased private sector efficiencies or proposed incremental increases in revenue. In 2013, RCW 82.48.030 restructured the aircraft excise tax to add graduated flat tax rates, based on weight, for commuter air carriers. The flat tax rate didn't reduce revenue; it simplified the tax code and reduced the amount of labor commuter air carriers used to comply with the law. RCW 82.42.020 added a 1-cent increase to the aviation fuel tax that includes both jet fuel and Avgas.

## A Forecast of Aviation Revenue in Washington State

In order to understand potentially available state funds within the 20-year planning horizon, it is necessary to forecast revenues that comprise the Aeronautics Account. This

section will review detailed revenue source forecasts and compare those to historical trends. Further, these results will be compared to an Aeronautics Account forecast prepared by the Transportation Revenue Forecast Council (TRFC).

The first part of this section reviews the TRFC revenue forecast, and then a detailed forecast and review of each revenue source is provided.

## TRFC's Aviation Revenue Source Forecasts

Washington State law mandates the preparation and adoption of economic and revenue forecasts. The State Office of Financial Management (OFM) is responsible for preparing state forecasts. The OFM carries out its forecast responsibilities for transportation revenues via the Transportation Revenue Forecast Council (TRFC).

The September, 2013 TRFC forecast is summarized in Exhibit 3-25 from the 2011-2013 biennium through the 2025-2027 biennium. This table compares forecasted revenues with funds to be made available to the Aeronautics account. The primary difference is that 90% of the Aircraft Excise Tax is directed to the State General Fund and 10% to the Aeronautics Account.

**EXHIBIT 3-24**  
**Implemented RCWs that Affect Aviation Taxes**  
*RCWs that Affect Aviation Taxes and Fees 2003 to 2013*

Bill	Year	Pilot Registration Fee	Aircraft Registration	Aircraft Excise tax	Aircraft Fuel Tax	Change
RCW 47.68.250	2003		•			\$7 increase
RCW 82.48.030	2013			•		Changed from excise tax to graduated flat tax rates, based on weight, for commuter air carriers
RCW 82.42.020	2003				•	Raised to 10 cents per gallon
RCW 84.32.030	2005				•	Raised to 11 cents per gallon



**EXHIBIT 3-25**  
**Summary of TRFC Forecast**  
*Compares Total Revenue to Aeronautics Account Funding*

Biennium	Total Aeronautics Revenue <sup>1</sup>	Total Aeronautics Account Funding <sup>2</sup>
2011-13	\$6,922,127	\$6,370,697
2013-15	\$6,764,200	\$6,136,450
2015-17	\$6,913,600	\$6,274,330
2017-19	\$7,031,100	\$6,380,310
2019-21	\$7,089,600	\$6,427,290
2021-23	\$7,144,500	\$6,470,670
2023-25	\$7,168,100	\$6,488,240
2025-27	\$7,176,900	\$6,491,280

<sup>1</sup>Total Aeronautics Revenue = Motor Vehicle Fuel Tax + Aircraft Fuel Tax + 100% of Aircraft Excise Tax + Aircraft Registration Fees + Aircraft Dealers' License Fees

<sup>2</sup>Total Aeronautics Account Funding = Motor Vehicle Fuel Tax + Aircraft Fuel Tax + 10% of Aircraft Excise Tax + Aircraft Registration Fees + Aircraft Dealers' License Fees

Exhibit 3-26 breaks the forecast down into each revenue component for the aeronautics account by year. **Aviation revenue for the aeronautics account is estimated to be \$3.053 million in FY 2014 and increases by an annual average growth rate of 0.67%, totaling a 6.1% increase, or \$3.24 million, over the next**

**EXHIBIT 3-26**  
**Future Annual Aeronautics State Funding Revenue (2014-2023)**

*The revenue source is listed in order of type  
Based on September 2013 forecast (Revenue amount by the thousands)*

Revenue Source	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Aircraft License Permits and Fees (Reg. fees)	\$124.5	\$124.2	\$125.9	\$126.6	\$127.3	\$128.0	\$128.7	\$129.4	\$130.1	\$130.8
Aircraft License Permits and Fees (Dealers' license fee)	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5	\$3.5
Excise Taxes <sup>1</sup>	\$347.9	\$349.6	\$354.3	\$356.0	\$360.7	\$362.4	\$367.1	\$368.8	\$373.5	\$375.2
Aviation Fuel Tax	\$2,607.0	\$2,636.3	\$2,674.7	\$2,706.6	\$2,740.8	\$2,748.8	\$2,763.2	\$2,775.0	\$2,787.1	\$2,795.5
Motor Vehicle Fuel Tax	\$283.3	\$283.5	\$281.6	\$281.0	\$278.8	\$277.4	\$275.8	\$274.7	\$273.2	\$272.2
<b>Total Forecasted Revenues</b>	<b>\$3,366.2</b>	<b>\$3,398.1</b>	<b>\$3,440.0</b>	<b>\$3,473.7</b>	<b>\$3,511.1</b>	<b>\$3,520.1</b>	<b>\$3,538.3</b>	<b>\$3,551.4</b>	<b>\$3,567.4</b>	<b>\$3,577.2</b>
<b>Total Forecasted Aeronautics Account Revenues</b>	<b>\$3,053.0</b>	<b>\$3,083.4</b>	<b>\$3,121.1</b>	<b>\$3,153.3</b>	<b>\$3,186.4</b>	<b>\$3,193.9</b>	<b>\$3,207.9</b>	<b>\$3,219.4</b>	<b>\$3,231.2</b>	<b>\$3,239.5</b>

<sup>1</sup>10% of the aircraft excise taxes is deposited into the aeronautics account

**10 years.** Aviation fuel taxes represent the majority of the growth to the aeronautics account.

The forecast breakdown by revenue source suggests that aviation fuel taxes, \$2.61 million in FY 2014, make up approximately 85.4% of forecasted aviation revenue of \$3.05 million. The remaining 14.6% of the aviation revenue, \$446,000, is primarily comprised of the motor vehicle fuel tax transfer, aircraft registration fees, aviation excise tax, and dealers' license fees. Exhibit 3-27 summarizes the forecast composition of revenue sources that fund the Aeronautics Account.

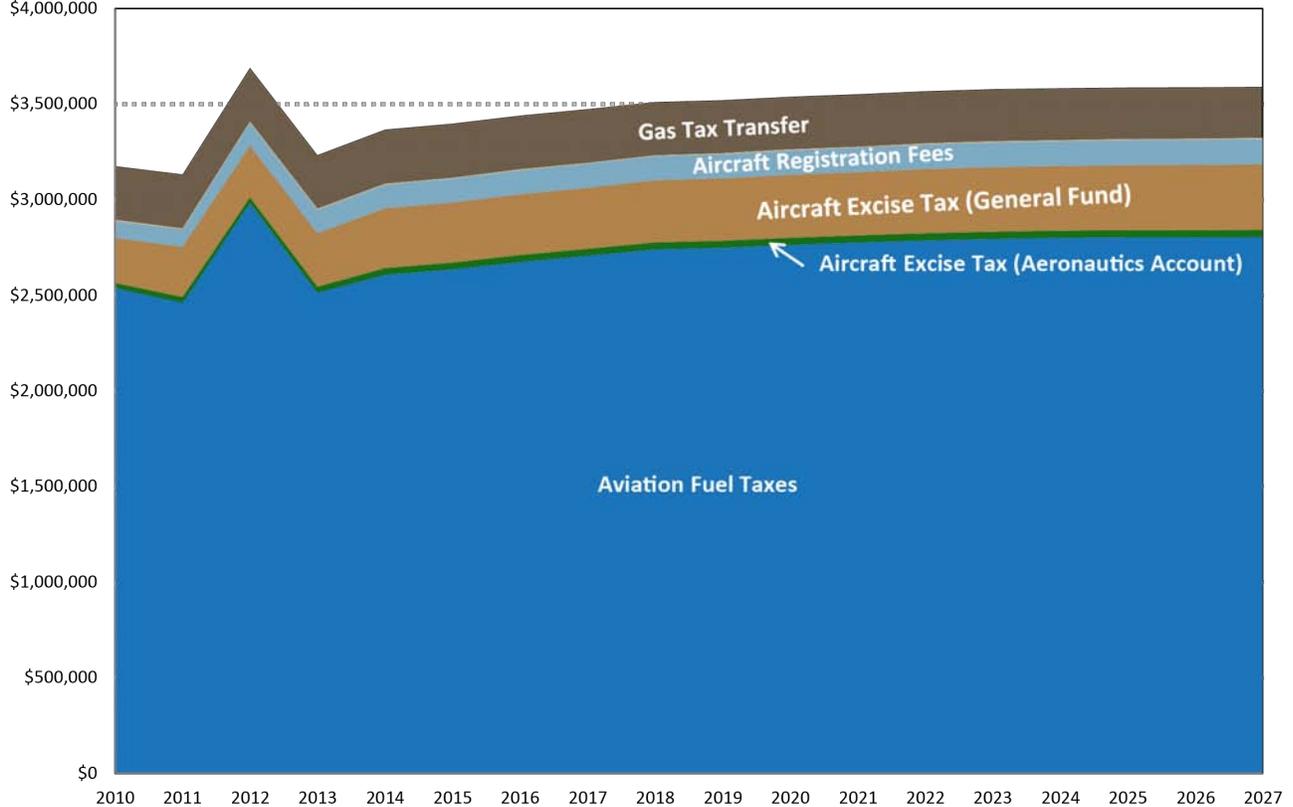
Exhibit 3-28 illustrates the sum total forecast for the Aeronautics Account while showing the relative contributions of the sources. The exhibit shows the recent history of aviation revenue and shows a sizable uptick in revenue between the FY 2011 and FY 2012. This revenue spike was the result of an anomaly where aviation fuel taxes were collected from significant new, unlicensed export companies. Subsequently, these companies received their export licenses, received a fuel tax refund, and are no longer part of the aviation fuel taxable revenue base. All other revenue sources showed only moderate growth.

**EXHIBIT 3-27**  
**Total Aeronautics Revenue of Major Aviation Revenue Sources for FY 2014**



WSDOT Total AeronauticsRevenue v1

**EXHIBIT 3-28**  
**Aeronautics Revenue - Recent History and Forecast**  
*TRFC 2013 Forecast showing relative contributions from each source.*



## Forecasts for Sources of State Aeronautics Revenue

To further explore potential future performance of the Aeronautics Account, this section describes detailed forecasts for each revenue source component and compares those to trends based on historic performance. The sources forecasted in this section include:

- Motor vehicle fuel tax
- Aircraft fuel tax
- Aircraft excise tax (10% to Aeronautics Account)
- Aircraft dealer license fees
- Aircraft registration fees

### Motor Vehicle Fuel Tax Distribution

Since 1987, a portion of the motor vehicle (gasoline) fuel tax has been distributed to the aeronautics account. The purpose of the transfer is to estimate the amount of gasoline fuel used in aircraft that could have been taxable under the aviation fuel tax rate. The motor fuel tax transfer is set at a fixed 0.028% of gross gasoline tax collections each month. Typically, the motor vehicle tax revenue transferred to the aeronautics account has averaged \$281,000 per year over the past 5 years.

The forecast for the motor vehicle fuel tax transfer to the aeronautics account is very flat and slightly declining (Exhibit 3-29). Despite historic trends that would suggest positive growth, the motor vehicle fuel tax is based on a flat and slightly declining gasoline tax revenue forecast. **In 2013, the fuel tax transfer was \$280,900 and it is projected to slowly decline to \$267,300 or by 4.8% by FY 2027.** The trend in the motor vehicle gas tax transfer is not likely to change much in the future.

### Aviation Fuel Taxes

Current law RCW 82.42.020 authorizes the aircraft fuel tax and sets the tax rate at 11 cents per gallon. All of the aviation fuel tax revenue is deposited in the aeronautics account and is the largest single source of revenue for this account. Over the past 10 years, this tax generated on average \$2.5 million per year.

The aviation fuel tax forecast is based on the amount of taxable aviation fuel. This is derived from reviewing the Department of Licensing aviation fuel tax collection reports. Aviation fuel consumption is based on a Department of Licensing econometric forecast model using independent variables of the FAA national general aviation fuel consumption forecast and the forecast of Washington's

EXHIBIT 3-29  
**Motor Vehicle Fuel Tax Transfer to the Aeronautics Account**  
*TRFC 2013 Forecast compared to Historic Revenue Trend*

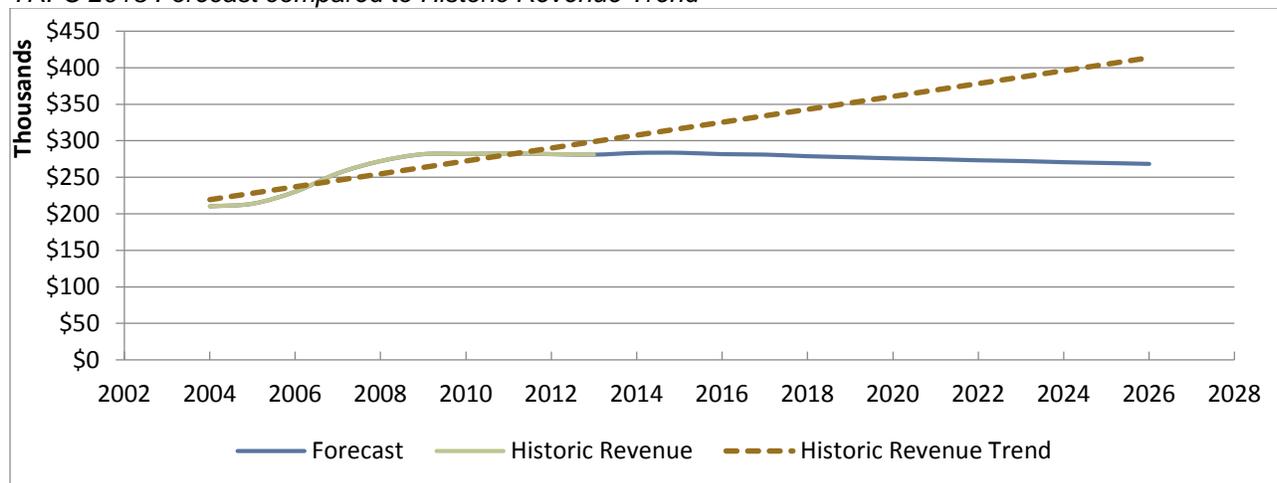
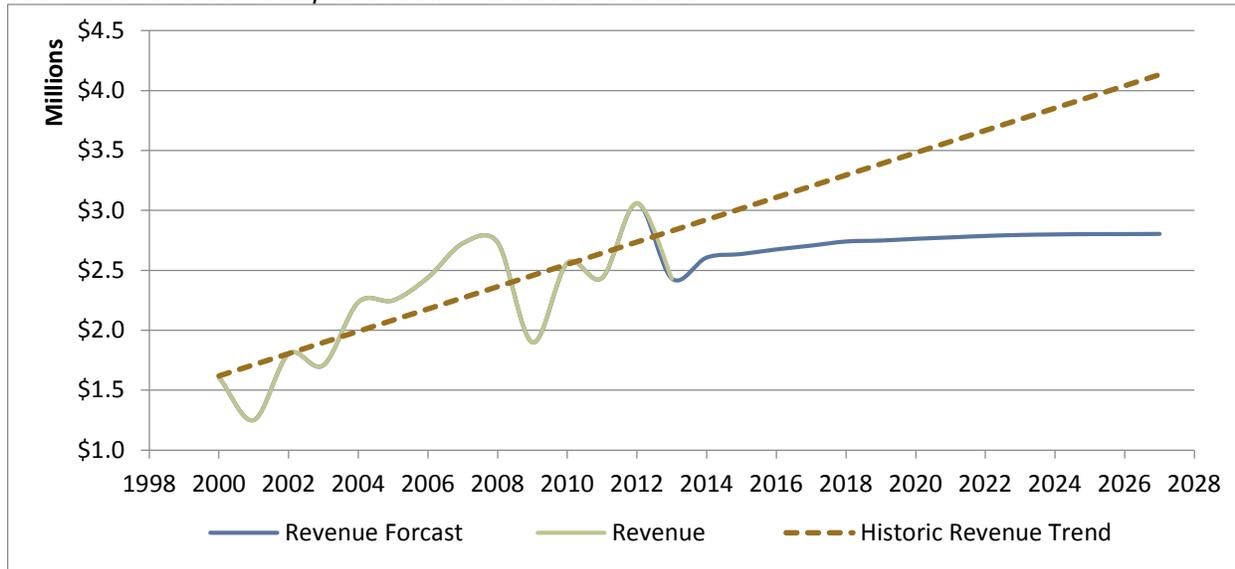


EXHIBIT 3-30

**Aviation Fuel Tax Revenue**

TRFC 2013 Forecast compared to Historic Revenue Trend



manufacturing employment. The forecasted taxable aviation gallons of fuel consumed are multiplied by 11 cents per gallon tax rate to determine Washington’s aviation fuel tax revenue in the future.

Exhibit 3-30 reveals the September 2013 TRFC forecast for aviation fuel taxes. There was a significant uptick in aviation fuel tax revenue, 21%, between FY 2011 and FY 2012 to \$2.98 million. This rise in FY 2012 aviation fuel taxes is the result of the economic recovery in the state. In FY 2013, aviation fuel taxes fell by 15.8%<sup>5</sup>. Historic trends suggest growth to over \$4million by 2027. In the future, the aviation fuel tax forecast reflects a slight upward trend.

**FY 2014 aviation fuel tax revenue is anticipated to generate \$2.6 million (3.7% year-over-year growth) and it is projected to grow by 12% to \$2.8 million by FY 2027.**

**Aviation Excise Tax**

Since 1949, Washington State has imposed an aircraft excise tax. The current aircraft excise tax rate structure for non-commuter aircraft is shown in Exhibit 3-17.

In 2013, the aircraft excise tax was expanded to include a new tax rate structure for non-commuter aircraft. The new law defines commuter air carriers in state law consistent with federal law. A commuter air carrier is an air carrier holding authority, meeting certain federal regulations, transports passengers on at least five round trips per week (according to published flight schedules). In addition, the commuter airplane company must have ground property and equipment located primarily on private property. The new graduated tax structure for aircraft meeting the commuter air carrier definition is provided in Exhibit 3-31.

**EXHIBIT 3-31  
Commuter Aircraft Excise Tax**

Gross Max Take-off Weight of Aircraft	Flat Tax
Less than 4,001 lbs	\$500
4,001-6,000 lbs	\$1,000
6,001-8,000 lbs	\$2,000
8,001-9,000 lbs	\$3,000
9,001-12,500 lbs	\$4,000

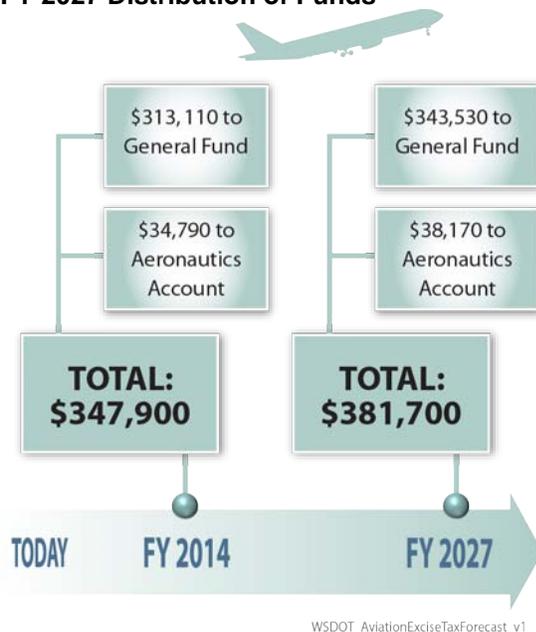
<sup>5</sup> Volatility may be a result of economic pressures and the mobility of general aviation.



Since 1987 distribution of the aircraft excise tax has been 90% to the state general fund and 10% to the aeronautics account. The large majority of the funds distributed to the state general fund can be used for purposes of general government as appropriated by the Legislature. The 10% of the revenue allotted to the aeronautics account is used to cover the cost of administration of the excise tax by WSDOT – Aviation Division.

**On average, over the last 10 years, the aviation excise tax has generated \$320,000 for the state general fund and \$32,000 for the aeronautics account.** Exhibit 3-32 displays the FY 2014 anticipated total aviation excise tax to be \$347,900.

**EXHIBIT 3-32  
Aviation Excise Tax Forecast for FY 2014 and FY 2027 Distribution of Funds**



WSDOT\_AviationExciseTaxForecast\_v1

Of that amount, \$313,110 will be deposited in the general fund, and \$34,790 will be allotted to the aeronautics account. The total aviation excise tax is projected to rise minimally, a 9.7% cumulative growth by FY 2027. The total in FY 2027 is anticipated to be \$381,700. The general fund will receive \$343,530 and the aeronautics account will receive \$38,170. WSDOT projections forecast a larger than usual uptick in aviation excise tax in FY 2014 with a year-over-year growth of 11.7%. This is due to the

2013 legislative change that expanded the aviation excise tax to commuter aircraft and required a higher flat tax rate structure for those commuter aircraft. Exhibit 3-33 shows the forecast for the aircraft excise tax revenue to the Aeronautics Account through 2027.

### Aircraft Dealers' License Fees

Current law, RCW 14.20.050 and 14.20.060, authorizes the aircraft dealers' license fee and sets the fee at \$75 per year for both original issue and renewals. Additional aircraft dealer certificates may be obtained for \$10 per year. All revenue from the dealers' license fees is deposited in the aeronautics account.

Since the number of dealers has only averaged 53 over the past 10 years, and continues to decline, the revenue generated has been just under \$4,000 per year. Exhibit 3-34 illustrates that **in 2013, dealer's license fees were just over \$3,000, and in the following years are forecasted to generate an estimated amount of \$3,450 per year.**

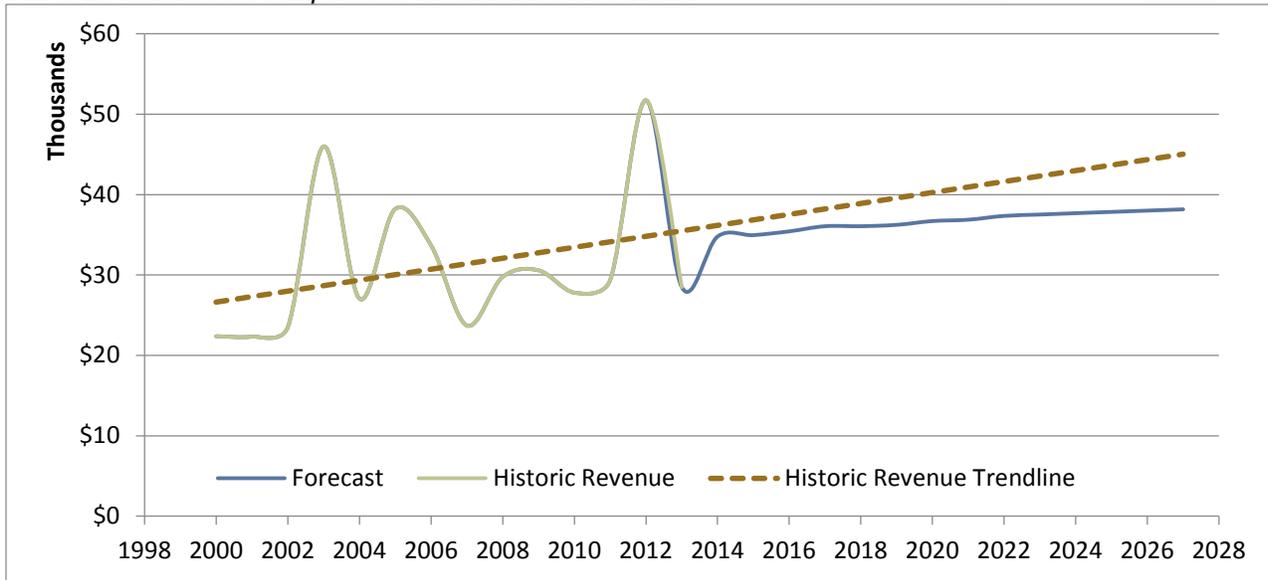
### Aircraft Registration Fees

Established in 1947 and set at up to \$10 per year per aircraft, the aircraft registration fee is the oldest aviation related fee. Currently the fee is \$15 per year per aircraft as set in law in RCW 47.68.250 in 2003. All of the revenues are deposited into the aeronautics account.

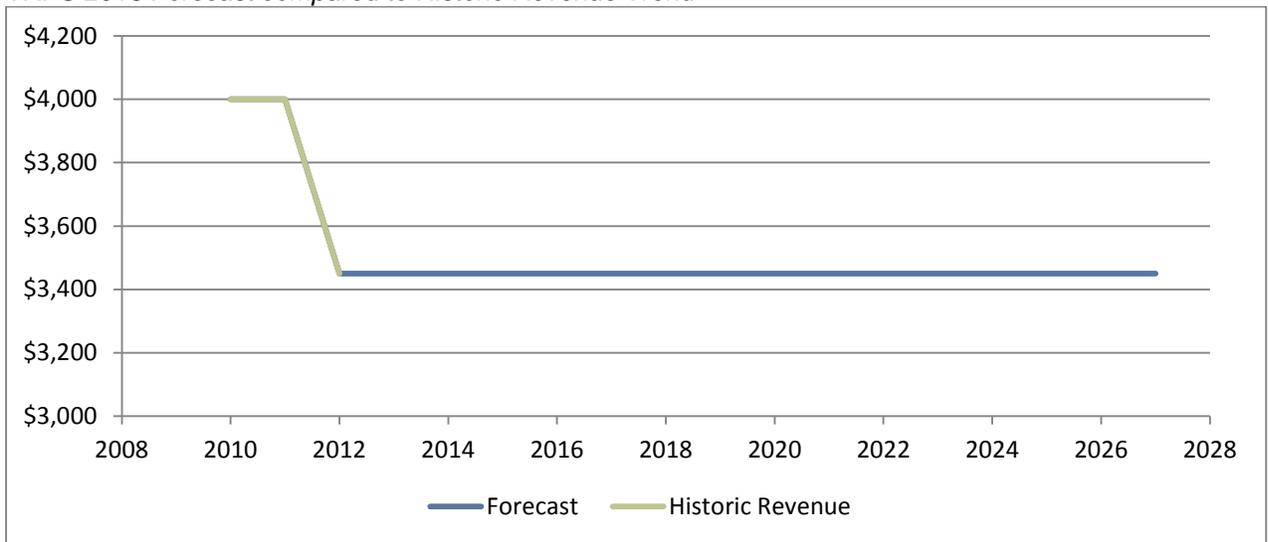
Aircraft revenue is based upon the future projection for aircraft registrations. Private aircraft registration has not been growing significantly in the past and as a result is not anticipated to grow rapidly in the future. Exhibit 3-35 illustrates the September 2013 forecast of aircraft registrations.

In FY 2013, Washington State had 6,585 aircraft registered. **The number of aircraft is expected to increase by 0.56% per year to 7,102 (7.85%) by FY 2027.**

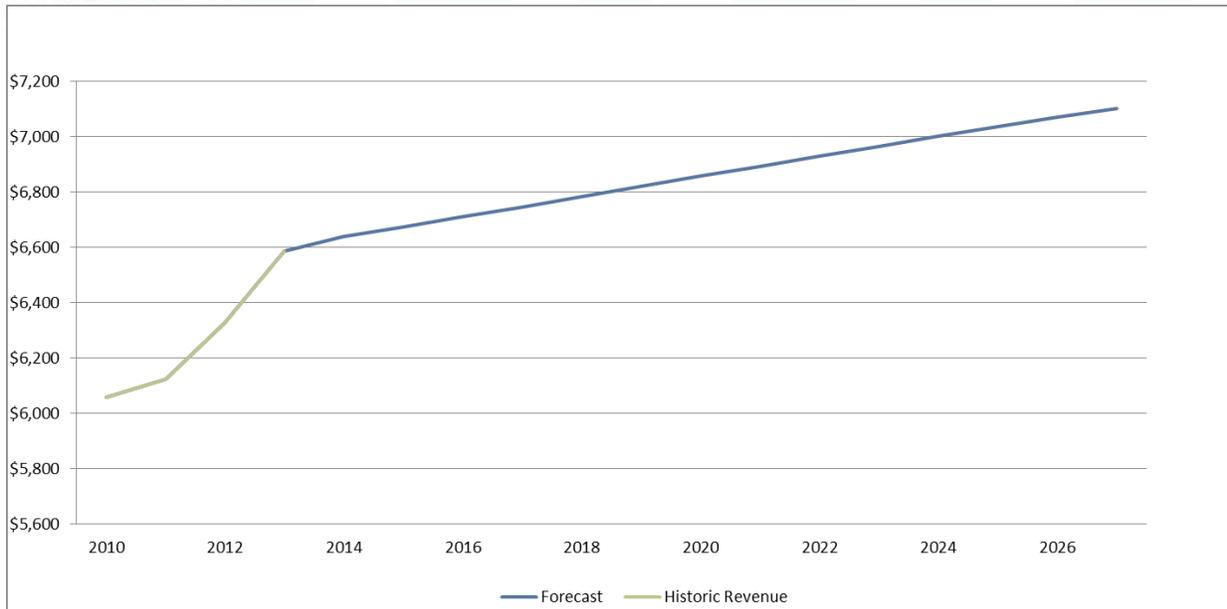
**EXHIBIT 3-33**  
**Aircraft Excise Tax Revenue to the Aeronautics Account**  
*TRFC 2013 Forecast compared to Historic Revenue Trend*



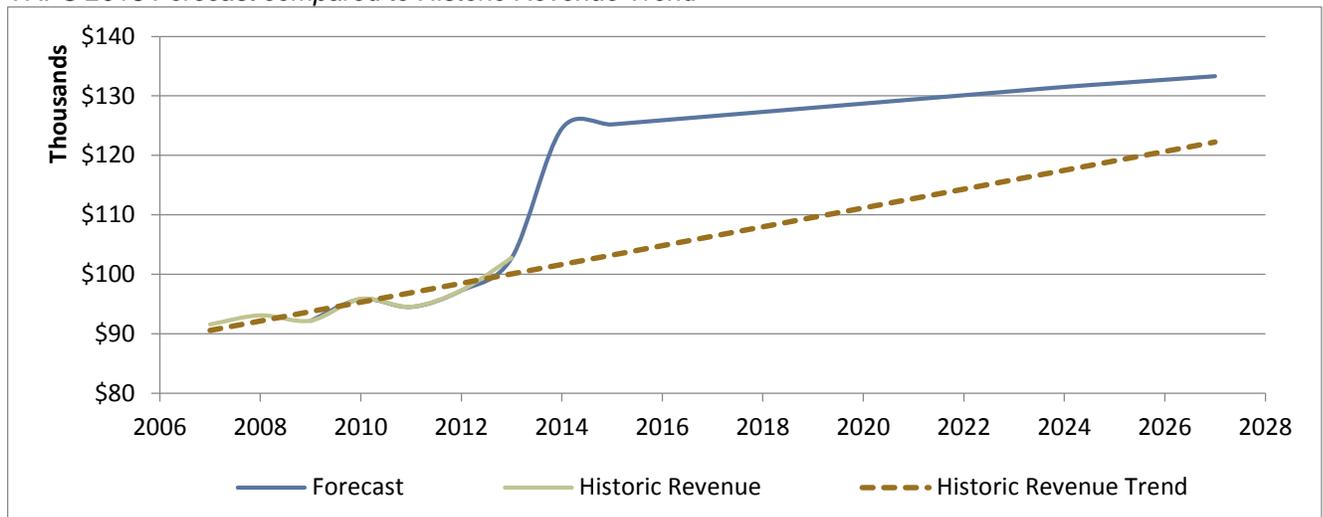
**EXHIBIT 3-34**  
**Aircraft Dealers' Licenses Revenue**  
*TRFC 2013 Forecast compared to Historic Revenue Trend*



**EXHIBIT 3-35**  
**Aircraft Registrations**  
*TRFC 2013 Forecast*



**EXHIBIT 3-36**  
**Aircraft Registration Fees**  
*TRFC 2013 Forecast compared to Historic Revenue Trend*



Over the past 10 years, the aircraft registration fee has on average generated \$89,500 per year. Over the past 5 years, the average revenue per year has increased to \$92,300 as the number of aircraft registered in the state has risen due to agency diligence and program stewardship. The forecast for aircraft registration fees assumes the same \$15 per year per aircraft and it grows at 50% of OFM's total state population growth rate.

**In FY 2014 aircraft registration fees are anticipated to be \$124,500 and they are projected to grow by 7.1% to \$133,300 by FY 2027.** Comparably, Exhibit 3-36 shows that historic trends would also indicate similar growth to over \$120,000 by FY 2027.

## Conclusion

Figure 3-29 illustrates that the overall trend for the Aeronautics Account is flat, and will be generally close to \$3.5 million annually between 2014 and 2027. The individual revenue source forecasts support this summation:

- Aviation fuel tax's forecast reflects a slight upward trend.
- Aviation excise tax is projected to experience moderate growth.
- Motor vehicle fuel tax will continue to decline slightly.
- Aircraft dealer license fees will remain flat.

- Aircraft registration fees are showing growth consistent with growth in the number of planes in Washington State

Relating this forecast back to the funds available for grant-in-aid in Washington State is accomplished by assuming that the historic 51.7% (Exhibit 3-22) of total revenue deposited into the Aeronautics Account (Exhibit 3-26), less program administration (historically ~10%) is expended on the airport aid program. Applying this to the ~\$3.0 million annual forecast for the Aeronautics Account funding, **it is estimated that ~\$1.4 million may be available for airport grants on an annual basis, totaling approximately \$28 million for the 20-year planning horizon.**



## Background

Federal aviation taxation methods apply equally to all states throughout the country. Unlike federal taxes, however, each of the 50 states has a different approach to generating aviation revenue and there are as many ways of interpreting rules as there are states. Additionally, states routinely consider what taxes and rules other states are applying when setting their own in order to be competitive to attract business and users while attempting to remain consistent with industry practices.

In order to understand common practices, this section will:

- Provide an overview of the most common taxes and other sources of aviation revenue applied to aviation throughout the country
- Select and present a sample or cross-section of states throughout the country that are using alternative methods to aviation taxation.
- Create detail sheets to provide an overview of aviation in each of these selected states and the taxation methods employed in each.
- Compare these states to Washington
- Highlight recent taxation developments to provide an understanding of what Washington could do differently when considering changes to aviation revenue and taxation.

The following resources were used to collect, define and compare aviation tax data presented in this section: Conklin & de Decker, *State Tax Guide for General Aviation* (included as Appendix 5); National Business Aviation Association (NBAA) (included as Appendix 6), *State Aviation Tax Report*; Aircraft Owners and Pilots Association (AOPA); individual states included in this study; and the WSDOT Aviation Investment Study advisory committee.

When considering the application and impact of state taxes, most think of those taxes that apply to aircraft ownership and operation, such as sales and use taxes. There are other common taxes, however, that apply in most states and help support aviation. These include aircraft registration fees, personal property taxes, fuel taxes and others. This section provides a brief overview of these taxes and how most states generally apply them.

## Sales/Use Taxes

Sales tax applies to the sale of tangible personal property and services. Aircraft are usually subject to the tax laws of the state in which the aircraft is domiciled. If the sale of an aircraft takes place in a state where there is a state sales tax, then the seller can be required to collect and remit the tax. However, if an exemption applies, the liability can shift to the buyer. Sales tax may sometimes be avoided by taking delivery of an aircraft either in a tax-free state or in a state with a fly-away exemption (discussed later in this section). Although sales tax may be avoided in some circumstances, the use tax of the state where the aircraft is going to be hangared may apply.

Use tax normally applies to the use, storage or consumption of tangible personal property in a state. This tax rule typically taxes transactions that escape tax under the sales tax rules. Over 90% of states have a compensating use tax as a backstop to the sales tax. Therefore, in most circumstances, if the sales tax applies, the use tax generally does not, and if the sales tax does not apply, the use tax most likely will.

Sales and use taxes vary greatly from state to state, with four states not having a state sales/use tax (Alaska, Montana, New Hampshire, and Oregon); however, these taxes are imposed by the county, city, or local municipality (Exhibit 3-37). Connecticut does not impose any state sales/use tax on aircraft weighing in excess of 6,000 pounds and Massachusetts does not impose any sales/use

tax on aircraft. As with personal property taxes, sales and use taxes are not usually dedicated to an aviation/transportation fund, with the exception of Virginia, Nebraska, North Dakota, South Carolina, and Tennessee, which dedicate all or a portion of the tax.

**EXHIBIT 3-37  
Aviation Taxing Across Select States**

Unique Sales/Use Taxes	
Alaska	No sales/use tax – city/county tax applies
Montana	No sales/use tax – city/county tax applies
New Hampshire	No sales/use tax – city/county tax applies
Oregon	No sales/use tax – city/county tax applies
Connecticut	No sales/use tax on aircraft over 6,000 pounds
Massachusetts	No sales/use tax on aircraft
Virginia	Dedicate all or a portion of sales/use tax to aviation fund
Nebraska	Dedicate all or a portion of sales/use tax to aviation fund
North Dakota	Dedicate all or a portion of sales/use tax to aviation fund
South Carolina	Dedicate all or a portion of sales/use tax to aviation fund
Tennessee	Dedicate all or a portion of sales/use tax to aviation fund

Some state tax laws provide various exemptions from sales and use taxes. The following are common sales and/or use tax exceptions:

- Commercial/Common Carrier – This exception may be available when the aircraft is being used to transport persons and/or property for compensation or hire. However, some states require that the aircraft be used exclusively or significantly in commercial activity, where other states may only require that the aircraft be on an air carrier certificate.
- Fly-Away – One of the most common sales tax exemptions is a “fly-away” exemption, whereby the purchaser closes on the

aircraft in a state, then flies the aircraft out of the state within a specified period of time. Each state has different requirements for how quickly the purchaser needs to fly away. If a purchaser removes the aircraft from the state of purchase within a set period of time the sales tax may be avoided. This exemption may be limited to nonresidents and often the aircraft cannot be brought back into the state for a certain period of time.

- Occasional/Casual Sales – This is an exemption for someone not engaged in the business of selling property. However, some states exclude aircraft from this exemption or limit the value of the sale.
- Related Party – If the sale of an aircraft does not fall within the definition of an occasional/casual sale it may still be exempt if the sale is between related parties (such as, husband and wife, father and child, related and/or affiliated companies, etc.).
- Trade-In Credit – Some states allow a credit for trade-ins, while other states exclude aircraft from this allowance. In addition, some states require that the trade-in be of like kind or only involve two parties. In this case, commonly, the tax is due on the difference between the value of the trade-in and the new aircraft.
- Sale for Resale – If the sale of the aircraft is for resale, the initial sale may be exempt from the sales tax. However, in the case of sale for resale where the resale is a lease, some states may allow a tax to be paid on lease payments rather than on the full purchase price.

**Sale for Resale – If the sale of the aircraft is for resale, the initial sale may be exempt from the sales tax. However, in the case of sale for resale where the resale is a lease, some states may allow a tax to be paid on lease payments rather than on the full purchase price.**



## Aircraft Registration Fees

Aircraft registration fees are either annual or biannual fees. Most states impose either the aircraft registration or personal property tax with only Virginia and Utah applying both. Colorado, Delaware, Florida, Maryland, New Jersey, New York, Pennsylvania, and Vermont do not impose either. These fees are imposed by the state and over half the states dedicate the revenues to an aviation trust fund. Twenty-six states impose some form of an aircraft registration fee with eight states imposing this fee in-lieu of a personal property tax. While some states use the aircraft registration fees to keep track of aircraft, other states derive significant revenue from these fees.

## Personal Property Taxes

Personal property taxes are an annual tax that are generally imposed by the county, city, or local municipality where the aircraft is stored, not necessarily where the aircraft is registered. Since these taxes tend to be significant, many aircraft owners take them into account with determining where to domicile or hangar an aircraft. In some states the assessment is on the full Fair Market Value (FMV) of the aircraft and in some cases it is imposed on a percentage of the FMV. Other states may assess the tax based on the aircraft's cost.

**94% of states impose a tax on aviation fuel.**

## Fuel Taxes

Forty-seven states impose a tax on fuel used in aviation, either in the form of an excise tax, sales tax or both. Texas, Connecticut and Rhode Island do not impose any tax on aviation fuel. There are some exemptions from these fuel taxes; however, they are usually limited to commercial operations, Federal and state governments and agricultural operations. Over half of the states dedicate all

**Over half of the states compared dedicate all or a portion of aviation fees and tax revenue to an aviation trust fund to help support aeronautical initiatives.**

or a portion of the revenue collected from fuel taxes to an aviation/transportation trust fund to support general aviation and non-federally funded projects within the state.

## State Data Sheets

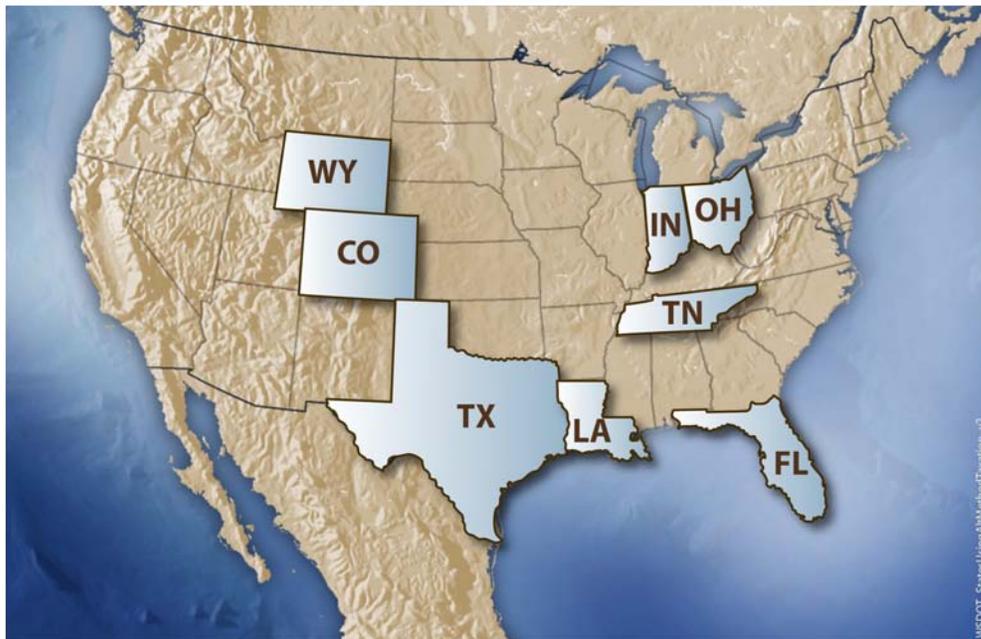
A primary objective of this study is to compare the aviation taxation methods employed in other states to the current methods used in Washington. The states to be evaluated in the study represent a sample or cross-section of states throughout the country that are using alternative methods of aviation taxation (Exhibit 3-38). The methods of taxation employed within each state will be viewed differently by the broad spectrum of stakeholders. The following states have been selected for evaluation based on the study team's understanding of the industry, input from AOPA, and those that stand out as having unique taxation methods worth investigating. A brief explanation outlining the rationale for their selection is also provided.

**One hundred percent of aviation fuel taxes are reinvested back into airports and aviation programs.**

**Colorado** – One hundred percent of aviation fuel taxes are reinvested back into airports and aviation programs. In 2011, sales tax on jet fuel produced \$34.2 million which is 95 percent of the total aviation fuel tax collected. A portion of that was given back in the form of a rebate. In 2012, \$21 million was invested in airports and aviation programs. Colorado's program is significant because airlines contribute to the state's Aviation Trust Fund. Although some other states do include airlines in fuel taxation, many apply an airline exemption to the tax in order to attract/maintain airline service.

EXHIBIT 3-38

Select States Using Alternative Methods of Aviation Taxation



**Florida** – One of the largest and most progressive airport systems in the country. The Florida Department of Transportation (FDOT) is funded solely by revenue generated from fuel taxes. Ninety-two percent of the 6.9-cent-per-gallon aviation fuel tax collected goes to the State Transportation Trust Fund, with the remainder going to the general fund. Deposits of aviation fuel tax in the Transportation Fund are dedicated to aviation uses. In addition, a portion of all motor fuel taxes collected goes to public transportation and about 15% of that goes to aviation uses. Like Colorado, airlines contribute to the state Trust Fund and, for study purposes; Florida presents a varying degree of airline taxation. For over the past 10 years, the FDOT aviation budget has exceeded \$100 million and represents a benchmark state with high levels of activity and revenue.

**For over the past 10 years, the FDOT aviation budget has exceeded \$100 million and represents a benchmark state with high levels of activity and revenue.**

**Indiana** – Recent legislation eliminated a 7% sales tax on aircraft parts and labor that has led to employee retainage in the state as well as increased hiring in aircraft maintenance and manufacturing. For example, Beechcraft hiring is up 75% and many attribute part of this and other signs of growth to the legislation. Pennsylvania, Ohio, New York, Maine, Oklahoma, and Florida recently enacted similar cuts, with supporters claiming that it was imperative for Indiana to follow suit. Indiana also lowered the state sales tax on aviation fuel by more than 40 cents per gallon. This moved Indiana from the state with the highest fuel tax rate in the nation to a competitive position just below the national average. Another reason for selecting Indiana as a state to compare with Washington is that, with 65 NPIAS airports, Indiana is similar in size to the Washington State system (64 NPIAS airports).

**With 65 NPIAS airports, Indiana is similar in size to the Washington State system (64 NPIAS airports).**



**Louisiana** – Louisiana airports are well funded with \$30 million a year from an Aviation Trust. The state has only had the \$30 million/year for about 5 years, and is striving to improve and maintain its airport infrastructure consistent with nearby states such as Texas and Florida. Louisiana is nationally recognized as a state heavily investing in updating its airports. Before the state realized current funding levels, they received \$3 million to \$4 million/year, leaving them with a significant project backlog. State legislators, through awareness presented by its aviation leadership, approved increased funding to airports in order to update facilities and compete with neighboring states for aviation business. Aviation and aerospace industries receive an enterprise zone tax credit of \$5,000 for each new job created. State legislators took no action on a bill that would impose a 4% sales tax on antique airplanes and noncommercial aircraft of less than 6,000 pounds. Funds from this tax would have been deposited into the general fund and likely reinvested outside aviation infrastructure.

**Ohio** – Taxes in Ohio are not collected on aviation parts and related labor. There is also an \$800 tax cap on fractional ownership, whereby the maximum tax paid on a fractionally owned aircraft is \$800 on each fractional share. There is extensive flight training throughout the state and an exemption on taxes related to flight simulators. Ohio is an example of a state increasing aviation tax exemptions in an effort to spur growth in maintenance and flight activity.

**Tennessee** – Tennessee airports benefit from a dedicated fund fed by a 4.5% sales tax on all aviation fuels that has been in place since 1984. Given that relatively low taxation, airports receive about \$4 million annually in grants.

**Texas** – Although Texas does not have a traditional aviation trust fund, airports are well funded and maintained. Airport funding comes from the Highway Fund, leaving aviation users with a low tax burden. For this study, the use of the Highway Fund represents a unique source of revenue for aviation. Texas is a high benchmark state with 396 public-use airports.

**Texas is a high benchmark state with 396 public-use airports.**

**Wyoming** – One hundred percent of aviation fuel taxes are put back into aviation. The aeronautics program also receives funding from the state's Mineral Trust Fund. Revenue from the Mineral Trust represents a unique taxation method which could be evaluated further as Washington may consider other unique sources of revenue generation.

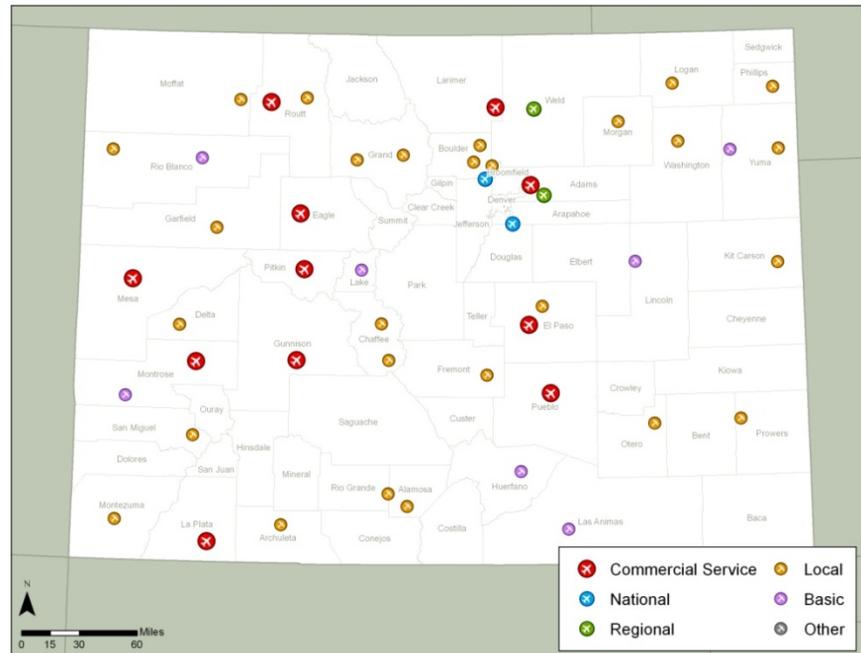
In order to compare these states with Washington, data sheets were prepared in order to provide an overview of the aviation system, existing tax mechanisms and unique aspects of each state. The remaining pages of Section 1.3 present the data sheets for the states listed above as well as for Washington State.

# Colorado

## INTRODUCTION

The Colorado Division of Aeronautics assists the Colorado Department of Transportation in developing a forward-looking multimodal transportation system through partnering with its public and private stakeholders to enhance aviation safety, aviation education, and the development of an effective air transportation system through the efficient administration of the Colorado Aviation Fund.

The NPIAS reports that Colorado has 76 public use airports. Of those, 65 are part of the statewide system of airports, of which 49 receive federal funding assistance.



Aviation System Details	
Public Use Airports	76
Public Use Airports in State System of Airports	65
Non-NPIAS Airports	27
NPIAS Airports	49
Primary	11
Non-Primary	38
Based Aircraft	4,565

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)

## TAXES OVERVIEW

The State of Colorado was the last state in the nation to establish a dedicated aviation branch of state government. In 1989, the Division of Aeronautics and the Colorado Aeronautical Board were created to support, develop and maintain the Colorado Aviation System through taxes collected on aviation fuel sold within the state. There are no general funds used to meet the needs within the Colorado Aviation System; the needs are funded solely through the taxes collected by those actually using the aviation system.

## Sales/Use Tax

The state sales/use tax rate is 2.9%, with local taxes ranging from 1% to 5.5% established by the municipality. Exemptions include scheduled commercial freight and passenger airlines, related parties, fly away and trade-in allowances.

## Resale/Lessor

Continuous possession or use of an aircraft for 3 years or less is exempt from the 2.9% tax, plus local taxes. Possession or use for more than 3 years is considered a sale and is taxable.



## Resale/Dealer

Purchases by a retailer who sells the goods as part of the retailer's business activity are not taxable to the retailer, but are taxable when the retailer resells the goods to the consumer. The retailer must pay sales taxes on purchases if the retailer intends to use the goods before they are resold. The buyer does not have the option of later paying consumer use tax on purchases for business or personal use.

## Parts and Labor

The sale of any part that is permanently affixed or attached to an aircraft is exempt from state sales/use tax. Manufacturing and fabrication labor is taxable when the aircraft is sold. In all other cases, labor is exempt from tax when separately stated on the invoice.

## Personal Property Tax

The gasoline tax is imposed in lieu of personal property tax on aircraft.

## Jet Fuel Tax

Sales tax is 2.9 percent and excise tax is 4 cents per gallon. Federal, state and local governments are exempt from sales and excise tax. Commercial airlines are exempt from excise tax.

## Aviation Gasoline Tax

Excise tax is 6 cents per gallon. Federal, state, and local governments are exempt from excise tax. State licensed aerial applicators operating from private airports are entitled to a refund of half of the excise tax.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Colorado	2.9%	2.9%	\$0.04 to \$0.06	NA	NA	NA	\$20.1 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration	N/A
Personal Property Tax	N/A
Sales Tax	No

**In 2011, sales tax on jet fuel produced \$34.2 million, which is 95% of the total aviation fuel tax collected.**

According to the 2013 Economic Impact Study, the Colorado aviation system supports 265,700 jobs and has an annual economic impact of \$36.7 billion to the local, regional and statewide economy.

## UNIQUE OR RECENT FEATURES

Since legislation in 1991 channeled aviation fuel taxes to "aviation purposes," the Division of Aeronautics has disbursed 65% of the jet fuel taxes used for commercial operations back to the airports. The Colorado Discretionary Grant Program utilizes the remaining 35% of tax revenues to

serve the maintenance, capital equipment, and developmental needs of Colorado's public-use airports.

In June of 2003, new legislation was signed into law which continuously appropriates fuel tax dollars into the Colorado Aviation Fund. This legislation gives the increased flexibility when dispersing discretionary grant dollars into the Colorado Airport System.

In 2008, the Colorado legislature proposed a sales tax increase of 0.2% to be phased in over a 2-year period. This resulted in an additional \$40,000 in aviation tax sales revenue. In that same year, Colorado allowed the fly-away exemption.

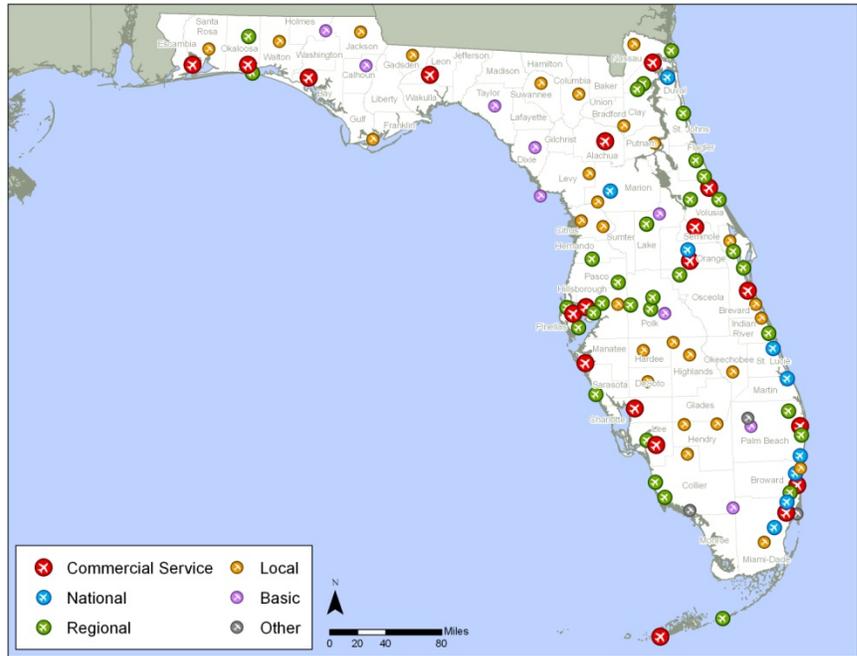
Recent legislation extended an existing \$1,200/employee tax credit that can be taken by aircraft manufacturing companies that hire new workers. This rule also applies to companies that repair and refurbish aircraft.



# Florida

## INTRODUCTION

The Aviation and Spaceport Office assists the Florida Department of Transportation in promoting the development and improvement of Florida’s airports and spaceports, regulates airports and protects airport approaches. Major activities include aviation system development, aviation grant program, airport regulation, intergovernmental coordination, and emergency operations management. The NPIAS reports that Florida has 129 public use airports. Of those, 125 are part of the statewide system of airports, of which 100 receive federal funding assistance.



Aviation System Details	
Public Use Airports	129
Public Use Airports in State System of Airports	125
Non-NPIAS Airports	29
NPIAS Airports	100
Primary	19
Non-Primary	81
Based Aircraft	10,931

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)

## Taxes Overview

The Aviation Division of the State Road Department was created by an act of the legislature in 1933. At the time there were approximately 134 usable airports in Florida with expenditures of \$1.2 million in federal, state, county, and city dollars. Today, annual aviation capital needs exceed \$1 billion per year. State Aviation Program funds appropriated from the State Transportation Trust Fund are distributed to the Airport Improvement Program and the Discretionary Capacity Program.

## Sales/Use Tax

The state sales/use tax rate is 6 percent, with local taxes ranging from .5 to 1.5 percent which may be imposed only on the first \$5,000 of the sale. Exemptions include the sale of commercial aircraft exceeding 15,000 pounds maximum takeoff weight (MTOW), fly away and trade-in allowances as well as credit for tax paid in another state. Non-residents are exempt if an aircraft is in the state less than 21 days within a 6-month period. The sales or use of aircraft primarily used in a fractional ownership program are exempt as well as the parts and labor used in the maintenance, repair, and overhaul of such aircraft.

## Resale/Lessor

Personal property purchases exclusively for leasing purposes by a dealer registered with the state at the time of purchase may be purchased tax-exempt. Lease of aircraft without crew is subject to tax. Lease of an aircraft more than 15,000 pounds MTOW by a "common carrier" is tax exempt.

## Resale/Dealer

Registered aircraft dealers who purchase aircraft exclusively for resale and do not pay sales tax on the purchase price at the time of purchase must pay the use tax computed on 1% of the value of the aircraft each calendar month that the aircraft is used by the dealer.

## Parts and Labor

Parts and labor tax is 6% with the following exemptions: replacement engines, parts, and equipment used in the maintenance of aircraft more than 2,000 pounds (including rotary-wing); items used in the manufacturing and fabricating of gas turbine engines.

## Jet Fuel and Aviation Gasoline Tax

Excise tax is 6.9 cents per gallon. Federal, military, and bonded export and international operations are exempt. Ninety-two percent of aviation fuel tax collected goes to the State Transportation Trust Fund. The remaining 8% goes the General Revenue Fund. Deposits of aviation fuel tax in the State Transportation Trust Fund are dedicated to aviation uses.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Florida	6.0%	0%	\$0.069	NA	NA	NA	\$130.0 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration	N/A
Personal Property Tax	N/A
Sales Tax	No

**In 2011, \$40 million in aviation fuel tax was collected, while \$130 million was appropriated to the aviation program.**

According to the 2010 Economic Impact Study, the Florida aviation system supports over 1 million jobs and has an annual economic impact of \$97 billion to the local, regional and statewide economy.

**Whereas the highway fuel tax is tied to an inflation index which will cause it to adjust automatically in future years, the aviation tax will remain at its current level until changed by legislative action.**

### UNIQUE OR RECENT FEATURES

At its inception, the aviation fuel tax rate was set consistent with the highway fuel tax rate. However, whereas the highway fuel tax is tied to an inflation index which will cause it to adjust automatically in future years, the aviation tax will remain at its current level until changed by legislative action.



In 1996, the legislature granted an exemption from payment of the aviation fuel tax to any air carrier offering transcontinental jet service that, after January 1, 1996, increases its Florida workforce by more than 1,000% and by 250 or more full-time equivalent employee positions. Over the past four years, the exemption has resulted in \$260,000 to \$300,000 in tax benefits to air carriers.

In 2010, new exemptions for the sale or use of aircraft primarily used in a fractional aircraft ownership program and for the parts and labor used in the maintenance, repair and overhaul of such aircraft were applied.

The rotary-wing exemption mentioned above in parts and labor was enacted in May 2013.

# Indiana

## INTRODUCTION

The Indiana Department of Transportation's Aviation Division is responsible for promoting aviation safety throughout the state of Indiana. The state's Airport Development Fund program is used to develop the state system of public-use airports that are critical to the Indiana air transportation system. The NPIAS reports that Indiana has 107 public use airports. Of those, 68 are part of the statewide system of airports, of which 65 receive federal funding assistance.

## TAXES OVERVIEW

New legislation, which eliminated a 7% sales tax on aircraft parts and labor and lowered the states sales tax on aviation fuel by more than 40 cents per gallon, has moved Indiana from the state with the highest fuel tax rate in the nation to a competitive position just below the national average.

### Sales/Use Tax

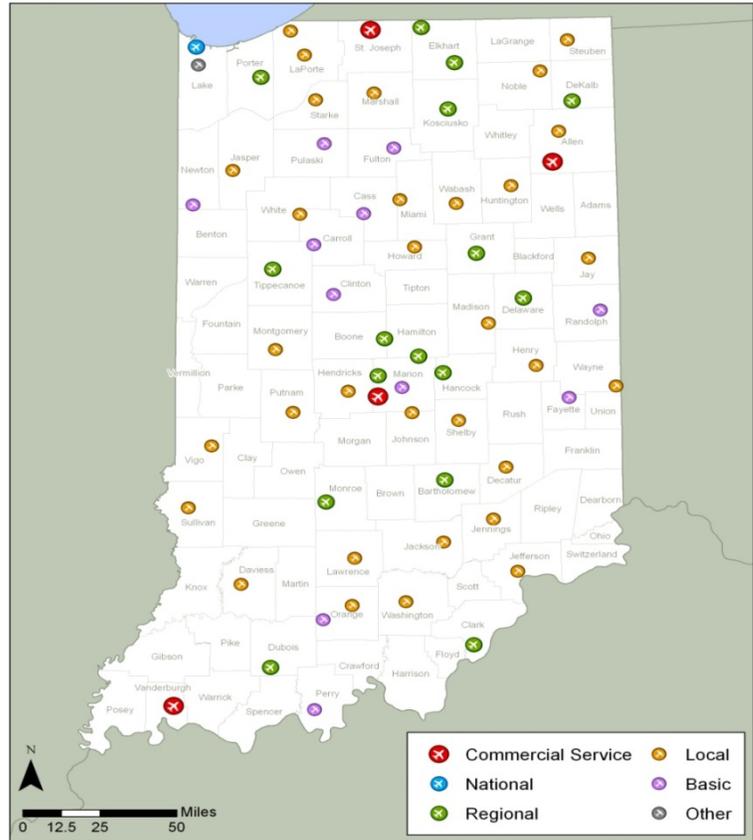
The state sales/use tax rate is 7%, with no local taxes. Exemptions include the sale of aircraft for public transportation and fly away allowances for aircraft purchased by a nonresident, destined outside the state and registered and based outside the state. Additionally, the state provides allowances for trade-in for another aircraft as well as credit for taxes paid in another state.

### Resale/Lessor

An aircraft acquired by a person for rental or leasing is not exempt from sales tax unless the person establishes that the annual amount of the lease revenue derived from leasing the aircraft is equal to or greater than 10% of the cost of the aircraft if the cost was less than \$1 million.

### Resale/Dealer

Sales tax shall not apply to a purchaser who purchases an aircraft for the purpose of reselling, renting or leasing, in the regular course of the purchaser's business.



Aviation System Details	
Public Use Airports	107
Public Use Airports in State System of Airports	68
Non-NPIAS Airports	42
NPIAS Airports	65
Primary	4
Non-Primary	61
Based Aircraft	3,064

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)



## Parts and Labor

Parts and labor tax is 7% but is exempt if performed by a valid repair station licensed with the FAA.

## Aircraft Registration Fee

There is an annual \$10 aircraft registration fee.

## Aircraft Excise Tax

Aircraft license excise taxes range from 1 cent to 9 cents per pound based on the class and age of the aircraft. Piston driven aircraft pay a lower rate than turbine aircraft. Older aircraft pay a lower rate than newer aircraft.

## Jet Fuel and Aviation Gasoline Tax

There is no sales tax on aviation fuel, but there is an excise tax of 10 cents per gallon for both aviation gasoline and jet fuel. The tax is collected by fuel distributors by adding the tax to the selling price of the fuel. Federal, state, Indiana Air National Guard, and common carriers of passengers and freight are exempt.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Indiana	7.0%	0%	\$0.10	\$10	\$0.01 to \$0.09/lb	NA	\$2.4 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### No State Aviation Trust Fund

Jet Fuel	No
Aviation Gasoline	No
Aircraft Registration	N/A
Personal Property Tax	N/A
Sales Tax	No

**Proponents believe new exemptions in parts and labor will spur hiring at aviation companies with the state.**

According to the 2012 Economic Impact Study, the Indiana aviation system supports almost 70,000 jobs and has an annual economic impact of \$14 billion to the local, regional and statewide economy.

## UNIQUE OR RECENT FEATURES

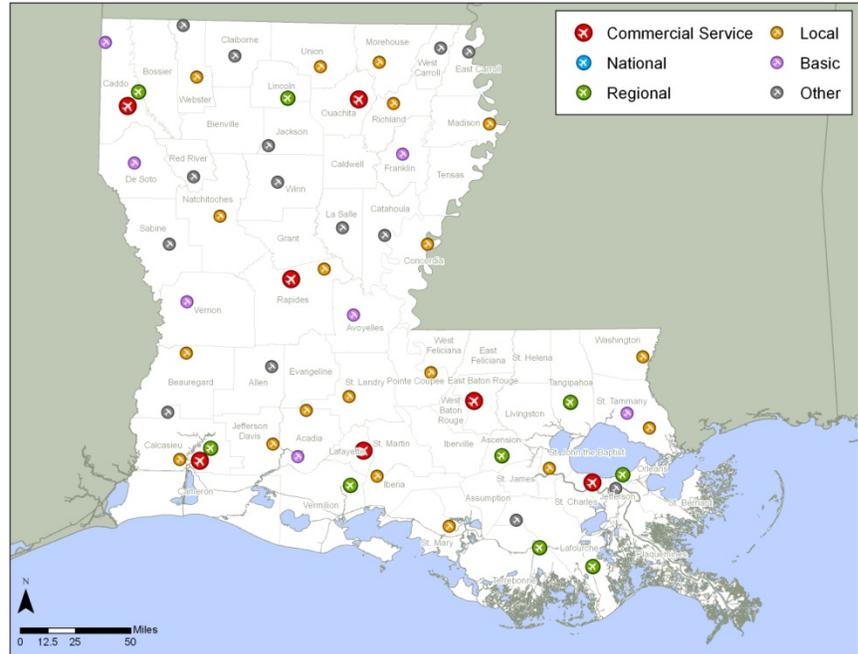
Effective July 2013, the aviation fuel tax was removed and the excise tax on fuel was reduced from 18 cents to 10 cents for both aviation gasoline and jet fuel.

The 7% sales tax on aviation parts and labor was eliminated to remain competitive with other states and attract aviation companies to the state. Ohio, New York, Maine, Oklahoma, Pennsylvania, and Florida previously enacted similar cuts.

# Louisiana

## INTRODUCTION

The Aviation Section of the Louisiana Department of Transportation strives to improve aviation infrastructure to insure a safe, modern and well managed system of airports which provides convenient and efficient access to the state for tourism, commerce, industrial interest, recreation and economic development. A goal is to continually modernize the state's public airports to meet the changing needs of the aviation community. The NPIAS reports that Louisiana has 75 public use airports. Of those, 67 are part of the statewide system of airports, of which 56 receive federal funding assistance.



Aviation System Details	
Public Use Airports	75
Public Use Airports in State System of Airports	67
Non-NPIAS Airports	19
NPIAS Airports	56
Primary	7
Non-Primary	49
Based Aircraft	2,164

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)

## TAXES OVERVIEW

The Aviation Section established the Aviation Priority Program to aid state system airports in funding eligible improvement projects. The state share of the 2012-2013 capital outlay for commercial and general aviation airport projects amounted to \$28.8 million. Just 5 years ago, the capital outlay for projects was slightly over \$8 million.

### Sales/Use Tax

The state sales/use tax rate is 4%, with local taxes as high as 7%. Exemptions include the sale of commuter aircraft stored in the state, casual/occasional/isolated sales, as well as fly away and trade-in allowances.

### Resale/Lessor

The full rate of 4% state tax as well as the local tax is due on the gross proceeds from the rental or lease of aircraft.



## Resale/Dealer

All sales shall be deemed to be retail sales unless the seller takes from the buyer a resale certificate.

## Parts and Labor

Parts and labor tax is 4%. Parts and equipment for a commuter airline stored in the state are exempt. Labor associated with repairs to aircraft stored in another state is exempt.

## Personal Property Tax

Personal property tax is levied except to the following: businesses engaged in scheduled passenger or cargo flights, antique aircraft manufactured at least 25 years ago, aircraft weighing less than 6,000 pounds, and crop dusting aircraft used exclusively for agricultural purposes.

## Jet Fuel Tax

Sales tax is 4% and there is no excise tax. Federal, state and local governments as well as military aircraft are exempt from sales tax. There is also an inspection fee of 0.0125 cents per gallon.

## Aviation Gasoline Tax

Sales tax is 4% and the excise tax is 20 cents per gallon. Federal, state, and local governments, as well as military aircraft are exempt from sales tax. Aviation gasoline commonly used for propelling aircraft is exempt from the excise tax. There is also an inspection fee of 0.0125 cents per gallon.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Louisiana	4.0%	4.0%	\$0.00 to \$0.20	NA	NA	Varies	\$28.8 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration	N/A
Personal Property Tax	No
Sales Tax	No

**In 2009, the state collected more than \$640 million in state-generated revenues, 91% housed in the Transportation Trust Fund. \$9.7 million was generated by aviation fuel tax and used for aviation programs.**

The state is in the process of preparing an aviation economic impact study. Results will likely be available in the first quarter of 2014.

## UNIQUE OR RECENT FEATURES

In 2007, a judicial decision redefined the interstate commerce exemption, affecting the sales and use tax. In order for aircraft to be considered to be used in “bona fide” interstate commerce, it must be used exclusively in the exchange of goods and services.

In 2010, Louisiana updated its fly away exemption to include taxes paid in other states, as well as aircraft manufactured with a capacity in excess of 50 passengers.

In 2011, the state considered options and commissioned a study for statewide air service development and guidelines to establish an incentive program. Results from action taken on this program are pending.

The Louisiana legislature adjourned without taking action on two bills. First, was a bill to impose a 4% sales tax on antique airplanes and noncommercial aircraft of less than 6,000 pounds maintained by private collectors. The other bill would have eliminated an enterprise-zone tax credit of \$5,000 for each new job created by Louisiana's aviation and aerospace industry.



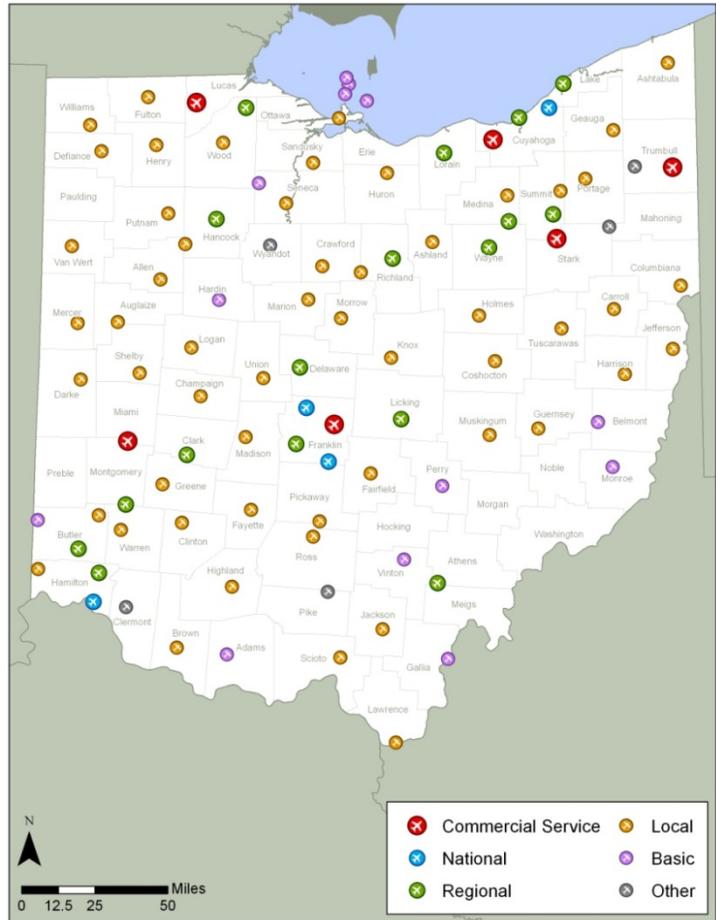
# Ohio

## INTRODUCTION

The Ohio Office of Aviation assists the Ohio Department of Transportation to meet the needs of aviation customers throughout the state. The three sections that make up the Ohio Office of Aviation are Flight Operations, Aircraft Maintenance and Aviation Programs. The Office of Aviation manages the Ohio Airport Grant Program designed to assist airports in funding improvement projects. The NPIAS reports that Ohio has 169 public use airports. Of those, 107 are part of the statewide system of airports, of which 100 receive federal funding assistance.

Aviation System Details	
Public Use Airports	169
Public Use Airports in State System of Airports	107
Non-NPIAS Airports	69
NPIAS Airports	100
Primary	6
Non-Primary	94
Based Aircraft	4,395

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)



## TAXES OVERVIEW

Ohio is the birthplace of flight and a North American hub for aerospace and aviation advancement. Through aircraft engine design and manufacturing as well as military aviation research and development, Ohio is the country's largest U.S. supplier to both Boeing and Airbus.

### Sales/Use Tax

The state sales/use tax rate is 5.75%, with local taxes ranging from 0.25% to 2.5%. This tax is on each retail sale made in the state with the following exemptions: scheduled passenger airlines, casual sales for personal use and subject to a tax of any other jurisdiction, credit for taxes paid. Fly away and trade-in allowances are not included in exemptions. Sales tax on fractional shares of aircraft is capped at a maximum of \$800 on each fractional share.

### Resale/Lessor

Sales tax is 5.75%, and computed and paid at the beginning of the lease rather than on monthly payments.

## Resale/Dealer

Applies to all sales except those in which the purpose of the consumer is to resell through his/her normal business.

## Parts and Labor

Tax related to parts and labor is exempt for aircraft more than 6,000 pounds MTOW or used exclusively for general aviation. In addition, parts and services used in repairing and maintaining fractionally owned private aircraft are exempt from tax.

## Aircraft Registration Fees

Fees are \$15 per seat for all aircraft. Aircraft owned by non-residents, for hire over regularly scheduled routes within the state, or aircraft operating under a certificate of convenience and necessity issued by the Civil Aeronautics Board are exempt.

## Jet Fuel Tax

Sales tax is 5.75% and there is no excise tax. Federal, state, and local governments; military; commercial airlines; agricultural operations; and charitable flights are exempt from the sales tax.

## Aviation Gasoline Tax

Sales tax is 5.75 percent and there is no excise tax. Federal, state, and local governments; military; agricultural operations; and charitable flights are exempt from the sales tax.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Ohio	5.75%	5.75%	\$0.00	\$15 per seat	NA	NA	\$1.1 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

Jet Fuel	No
Aviation Gasoline	No
Aircraft Registration	Yes
Personal Property Tax	N/A
Sales Tax	No

**From FY2010 to FY2012 state grants for airport improvements have ranged between \$1.0 million and \$1.2 million.**

According to the 2006 Economic Impact Study, the Ohio aviation system supports 142,850 jobs and has an annual economic impact of \$10.5 billion to the local, regional and statewide economy. An update to these figures will be available in 2014.

## UNIQUE OR RECENT FEATURES

In 2008, the Ohio legislature enacted the exemption of sales tax on parts and labor for aircraft of more than 6,000 pounds MTOW or used exclusively in general aviation.

Sales of full flight simulators that are used for pilot or flight crew training, as well as sales of repair parts and maintenance services, for flight simulators are exempt from sales/use taxes.

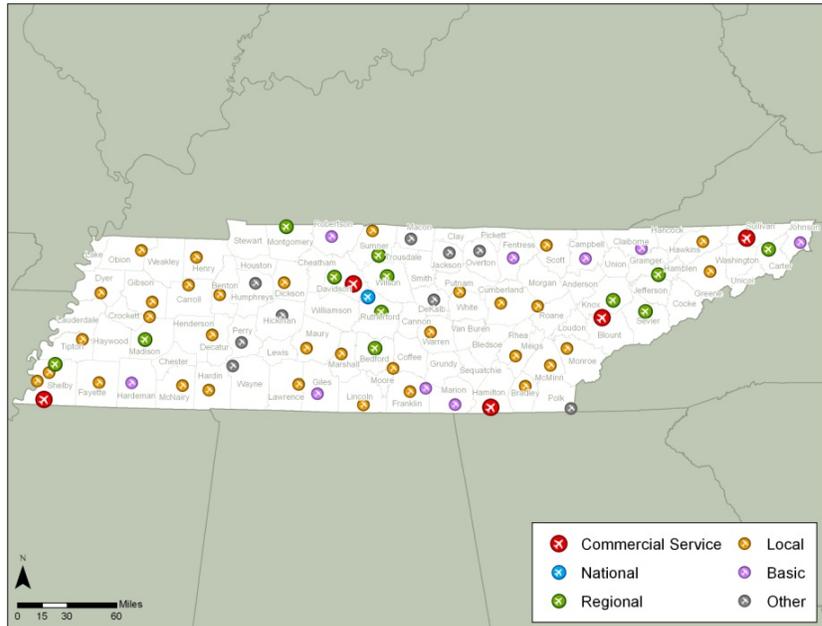
Effective September 2013, the sales/use tax was increased from 5.5% to 5.75%.



# Tennessee

## INTRODUCTION

The Tennessee Aeronautics Division is responsible for licensing public airports, monitoring compliance with federal grants and providing flight services for branches of state government. It performs engineering services, aviation planning studies, airport improvement and project design consultation to local airports. It insures the operational safety and efficiency of the state aviation facilities system. The NPIAS reports that Tennessee has 81 public use airports. Of those, 78 are part of the statewide system of airports, of which 69 receive federal funding assistance.



Aviation System Details	
Public Use Airports	81
Public Use Airports in State System of Airports	78
Non-NPIAS Airports	12
NPIAS Airports	69
Primary	5
Non-Primary	64
Based Aircraft	2,724

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)

## TAXES OVERVIEW

Tennessee has been providing financial aid to its airports since 1930. In 1986, the Tennessee General Assembly adopted legislation that created the State Transportation Equity Fund. This fund allocates receipts from taxes collected from transportation fuels for distribution to airports, rail and waterways based upon their contribution to the fund.

### Sales/Use Tax

The state sales/use tax rate is 7%, with local taxes ranging from 1.5% to 2.75%. Exemptions include scheduled commercial airlines, related parties, fly away, credit for taxes paid and trade-in allowances. Equipment (including parts and labor) for helicopters is exempt from sale/use tax.

## Resale/Lessor

Aircraft sold exclusive for resale may be sold with a resale certificate. Leases where the owner does not furnish the crew, but merely rents the aircraft and lessee operates the aircraft, the sales and use tax applies.

## Resale/Dealer

Any person or dealer who sells an aircraft in Tennessee, any purchaser who purchases an aircraft in this state and every resident of this state who purchases an aircraft is required to complete an Affidavit of Transfer of Aircraft/Helicopter with the Department of Revenue. This affidavit is required to be completed each time a sale or purchase is made to or from a Tennessee resident, regardless of where the aircraft is stored. If no tax was paid to the seller, 7% of the net purchase price for state tax plus the appropriate local tax is due.

## Parts and Labor

Parts and labor is subject to 7% tax. Parts for air carriers are exempt as well as aircraft removed from the state within 15 days. Labor associated with helicopter repair as well as engine and airframe repair are exempt.

## Personal Property Tax

Annual property tax is based on its intended use: residential, farm, commercial, public utility, business. Statutory assessment percentages are applied to the appraised value of the aircraft and range between 25% and 55%. As an example, a corporate aircraft valued at \$5,000,000 would pay \$92,550 per year in property tax.

## Jet Fuel Tax

Sales tax is 4.5% and excise tax is 1 cent per gallon. Federal, state, and local governments, as well as military, are exempt from sales tax.

## Aviation Gasoline Tax

Sales tax is 4.5% and excise tax is 1 cent per gallon. Federal, state, and local governments, as well as military, are exempt from sales tax.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Tennessee	7.0%	4.5%	\$0.01	NA	NA	25% to 55%	\$4.0 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration	N/A
Personal Property Tax	No
Sales Tax	No

**Tennessee airports benefit from a dedicated fund fed by a 4.5% sales tax on all aviation fuels. Given that relatively low taxation, airports receive about \$4 million annually in grants.**

In a 2009 study conducted by the FAA, the estimated economic impact of the Tennessee aviation system supports 163,500 jobs and has an annual economic impact of \$21 billion to the local, regional, and statewide economy.

## UNIQUE OR RECENT FEATURES

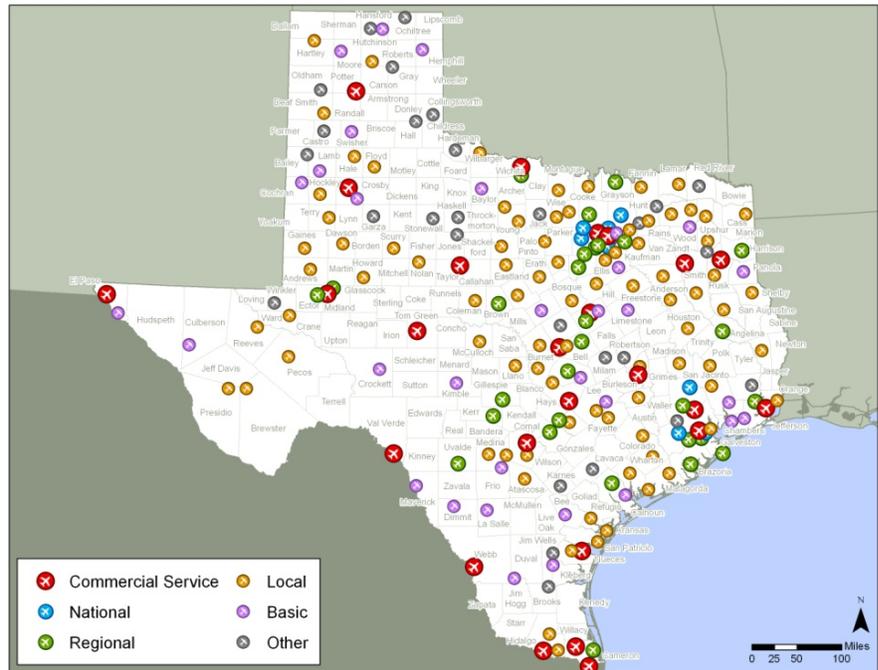
In 2013, legislation was passed to avoid higher regulations and fees charged to flight schools.



# Texas

## INTRODUCTION

The Aviation Division of the Texas Department of Transportation assists cities and counties applying for, receiving and disbursing federal and state funds for reliever and general aviation airports. With approximately 300 airports open to the public, Texas' general aviation airport system is one of the largest in the nation. The NPIAS reports that Texas has 396 public use airports. Of those, 292 are part of the statewide system of airports, of which 209 receive federal funding assistance.



Aviation System Details	
Public Use Airports	396
Public Use Airports in State System of Airports	292
Non-NPIAS Airports	187
NPIAS Airports	209
Primary	25
Non-Primary	184
Based Aircraft	11,535

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)

## TAXES OVERVIEW

Texas is the only state in this study that is part of the FAA's State Block Grant Program. Under this program, states assume responsibility for administering AIP grants at airports classified as "other than primary" airports—that is, non-primary commercial service, reliever, and general aviation airports. Therefore, the Texas Aviation Division is responsible for determining which locations will receive funds for ongoing project administration.

### Sales/Use Tax

The state sales/use tax rate is 6.25%. Additionally, there are local sales and use taxes imposed by local authorities. Generally, the combined local tax rate cannot exceed 2%, making 8.25% the highest possible rate. Exemptions include scheduled commercial freight and passenger airlines, casual sales, related parties, credit for taxes paid, fly away and trade-in allowances. If an aircraft is hangared outside the state and is used more than 50% outside the state, the aircraft is not subject to use tax. In addition, aircraft used exclusively for agricultural operations are exempt from sales tax.

### Resale/Lessor

Tax is due on a lease of an aircraft without crew. A lease of an aircraft with a crew is considered nontaxable charter or transportation service.

## Resale/Dealer

A purchaser may give a resale certificate for the acquisition of an aircraft if the purchaser intends to sell, lease, or rent it in the regular course of business.

## Parts and Labor

Parts and labor tax is 6.25% with commercial service passenger airlines and activities associated with flight instruction exempt.

## Personal Property Tax

Business and commercial aircraft are taxed based on the aircraft fair market value and the number of flights conducted within Texas.

## Jet Fuel and Aviation Gasoline Tax

There is no aviation fuel tax. Proceeds from the Highway Trust Fund help fund the state portion of airport investments. Motor fuel taxes collected throughout the state account for about \$2.2 billion in annual revenue to the Highway Trust Fund.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Texas	6.25%	NA	NA	NA	NA	Varies	\$10.8 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

#### No State Aviation Trust Fund

Jet Fuel	N/A
Aviation Gasoline	N/A
Aircraft Registration	N/A
Personal Property Tax	No
Sales Tax	No

Although Texas does not have a traditional Aviation Trust Fund, airports are well funded and maintained with money from the Highway Fund. In FY2013, the state aviation investment was \$10.8 million.

According to the 2011 Economic Impact Study, the Texas aviation system supports 771,000 jobs and has an annual economic impact of \$59.9 billion to the local, regional and statewide economy.

## UNIQUE OR RECENT FEATURES

In 2009, aircraft used exclusively in agricultural operation were exempted from sales/use taxes.

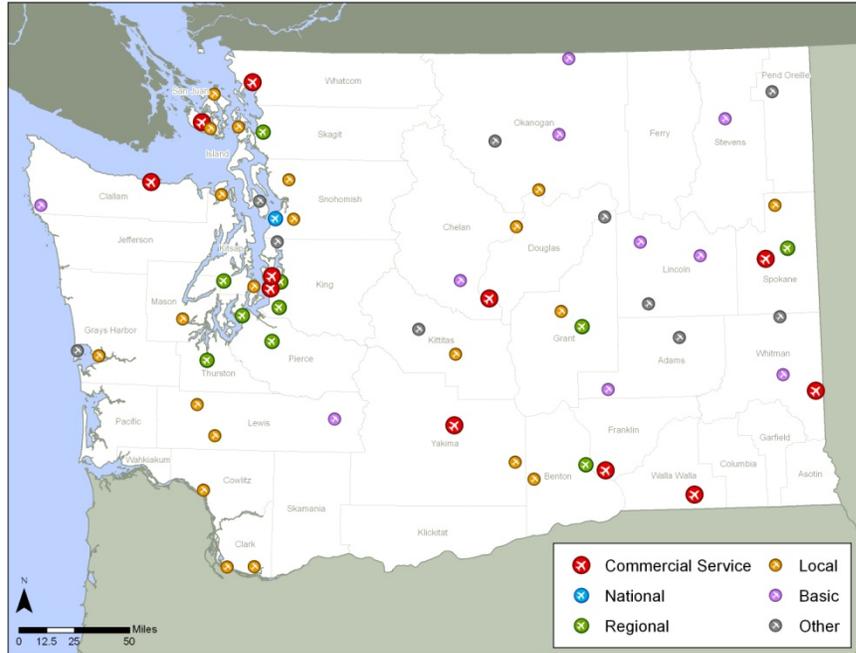
In November 2013, Texas legislators approved a bill to politically subdivide the state to increase the number of days that property tax-exempt aircraft parts may be located in the state for the purpose of qualifying these parts for exemption.



# Washington

## INTRODUCTION

The mission of WSDOT’s Aviation Division is to enhance the state’s aviation system interests in ways that strengthen the state’s transportation system, economy and quality of life. WSDOT is charged with advancing the state’s aviation interest in seven crucial areas: capacity, environment, safety, stewardship, economic vitality, mobility and land use/preservation. WSDOT reports that Washington has 134 public use airports. All of them are part of the statewide system of airports and 64 receive federal funding assistance.



Aviation System Details	
Public Use Airports	134
Public Use Airports in State System of Airports	134
Non-NPIAS Airports	70
NPIAS Airports	64
Primary	11
Non-Primary	53
Based Aircraft	5,963

Source: WSDOT Aviation

## TAXES OVERVIEW

Each year WSDOT’s Airport Aid Grant Program provides crucial financial assistance to many of the state’s 134 public airports. Through its grant program WSDOT Aviation leverages millions of dollars in federal grants by using a relatively minimal amount of state and local match contributions. The Washington Aeronautics Account is funded through fuel tax, aircraft sales excise tax, aircraft registration fees, and others sources. The largest share of revenue comes from the aviation fuel tax (95 percent).

## Sales/Use Tax

The state sales/use tax rate is 6.5%, with local taxes ranging from 0.5% to 3%. Exemptions include common carriers, casual/occasional sales, related parties, fly away, and trade-in allowances. The fly-away exemption applies only to residents in Alaska, Colorado, Delaware, Montana, New Hampshire, and Oregon and when that state does not impose a sales/use tax of 3% or more.

## Resale/Lessor

The state may collect taxes upon the payment of installments of the purchase price or amount of the rental.

## Resale/Dealer

A purchaser may give a resale certificate for the acquisition of an aircraft if the purchaser intends to sell, lease, or rent it in the regular course of business.

## Parts and Labor

Parts and labor are taxed at 6.5% (regular retail sales tax rate for the location). Labor and services rendered in respect to repairing, cleaning, altering or improving large private airplanes owned by nonresidents are exempt from the retail sales tax.

## Aircraft Registration Fee

The aircraft registration fee is \$15 per aircraft and paid annually. This fee does not apply to aircraft owned by a government entity, registered in a foreign country or another state, for sale by a dealer, owned by a nonprofit organization or used exclusively to provide emergency medical transportation.

## Aircraft Excise Tax

The aircraft excise tax is based on the type of aircraft and paid annually. The tax range is between \$20 and \$125.

## Jet Fuel Tax

Sales tax is 6.5% and excise tax is 11 cents per gallon. Federal and military are exempt from both sales and excise tax. Commercial operations are exempt from the excise tax, but operators must pay the sales tax based on the fuel burned over the state. Agricultural operations and flight-testing are entitled to a refund of the excise tax.

## Aviation Gasoline Tax

Sales tax is 6.5% and excise tax is 11 cents per gallon. Federal and military are exempt from both sales and excise tax. Agricultural operations and flight-testing are entitled to a refund of the excise tax.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Washington	6.5%	6.5%	\$0.11	\$15	\$20 to \$125	NA	\$1.4 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

Jet Fuel	Yes (Excise Tax)
Aviation Gasoline	Yes (Excise Tax)
Aircraft Registration	Yes (100% of registration and 10% of excise tax)
Personal Property Tax	N/A
Sales Tax	No

During the 2011-2013 biennium, \$2.1 million was awarded in state grants to 49 airports. WSDOT was able to use \$1.1 million in state funds to leverage over \$42 million in federal grants.



According to the 2012 Economic Impact Study, the Washington aviation system supports 248,500 jobs and has an annual economic impact of \$50.9 billion to the local, regional, and statewide economy.

## UNIQUE OR RECENT FEATURES

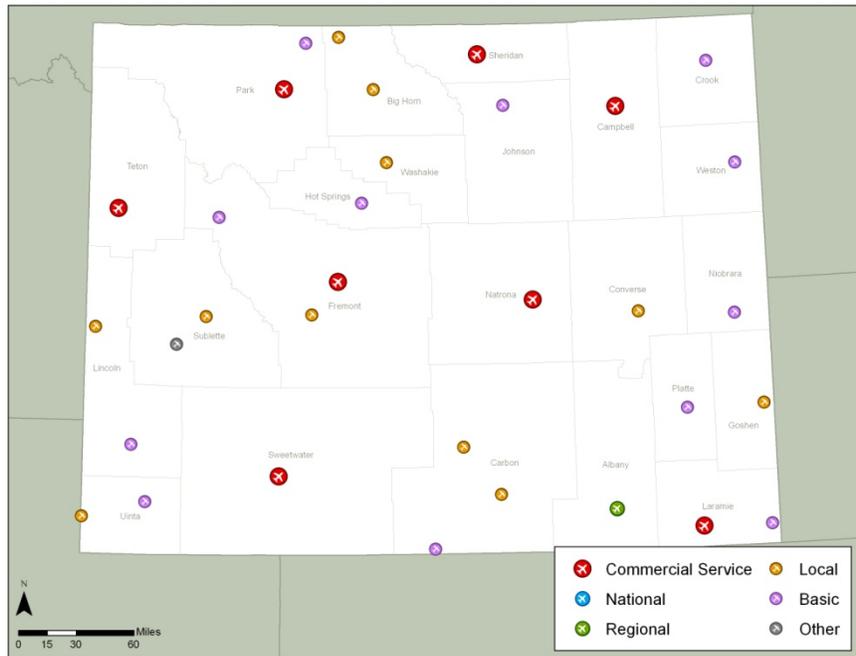
In 2013, the aircraft excise tax was expanded to include a new tax rate structure for commuter aircraft. The new law defines commuter air carriers in state law consistent with federal law: an air carrier holding authority, meeting certain federal regulations, transports passengers on at least five round trips per week according to published flight schedules. The tax is based on the weight of the aircraft and ranges from \$500 to \$4,000.

Effective January 2014, the sale of large private airplanes to nonresidents is exempt from sales and use tax. Charges for labor and services for repairing, cleaning, altering or improving these planes are also exempt. The exemption only applies if the airplane is not required to be registered with WSDOT. A "large private airplane" is an airplane not used in interstate commerce, not owned or leased by a government entity; weighing more than 41,000 pounds.

# Wyoming

## INTRODUCTION

The Wyoming Department of Transportation Aeronautics works in conjunction with members of the Aeronautics Commission to support aviation and publicly owned airports in the state. The Airports Section administers federal- and state-aid funds for public use airports and plays a role in design of airport construction and maintenance projects. The Airports Section is comprised of the Planning & Budgeting, Engineering and Air Service programs. The NPIAS reports that Wyoming has 41 public use airports. Of those, 33 are part of the statewide system of airports, all of which receive federal funding assistance.



Aviation System Details	
Public Use Airports	41
Public Use Airports in State System of Airports	33
Non-NPIAS Airport	8
NPIAS Airports	33
Primary	8
Non-Primary	25
Based Aircraft	938

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017)

## TAXES OVERVIEW

The Aeronautics Commission makes grants-in-aid from state funds for construction and development of airports to counties, cities and towns within Wyoming. Typical projects funded by the Wyoming Aeronautics Commission include: construction projects, maintenance projects, equipment grants, planning projects and marketing grants.

### Sales/Use Tax

The state sales/use tax rate is 4%, with local taxes ranging from 0.5% to 2%. Resort district areas have the option to impose an additional 1% tax. Exemptions include common carriers, related parties, trade-in allowances and credit for taxes paid.

### Resale/Lessor

Lease of aircraft without a crew is subject to the use tax. The sales price paid to carriers of passengers is subject to the state use tax.

### Resale/Dealer

A purchaser may give a resale certificate for the acquisition of an aircraft if the purchaser intends to sell, lease, or rent it in the regular course of business.



## Parts and Labor

Parts and labor is taxed at 4%. Schedule air carriers are exempted from this tax.

## Personal Property Tax

All property tax is based on the assessed value of the aircraft. Aircraft used for industrial purposes is assessed at 11.5% of its fair market value and personal aircraft is assessed at 9.5%. The assessed value is then multiplied by a millage rate determined by the county in which the aircraft is based. Airlines are subject to commercial assessment and aircraft used solely for personal use are exempt.

## Jet Fuel and Aviation Gasoline Tax

There is no sales tax on aviation fuel. Excise tax is 4 cents per gallon for both aviation gasoline and jet fuel.

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gallon)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Wyoming	4.0%	0.0%	\$0.04	NA		9.5% to 11.5%	\$8.5 million

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue

## TRUST FUND AND ECONOMIC IMPACT

### State Aviation Trust Fund – Dedication of Taxes

Jet Fuel	Yes
Aviation Gasoline	Yes
Aircraft Registration	N/A
Personal Property Tax	No
Sales Tax	No

**Over the next 3 years, the annual state capital budget for airport improvements is between \$8 million and \$9 million.**

According to the 2009 Economic Impact Study, the Wyoming aviation system supports 14,500 jobs and has an annual economic impact of \$1.4 billion to the local, regional, and statewide economy.

## UNIQUE OR RECENT FEATURES

Mineral taxes are collected in Wyoming and help fund aviation programs as well as other uses. The largest mineral resources mined in Wyoming include coal, natural gas, oil, and trona (used in the production of sodium carbonate). In 2012, Wyoming collected over \$1.6 billion in mineral tax revenue.

## Comparison

Using information collected through the production of the state data sheets above, it is possible to compare the states and their taxation methods to one another. Exhibits 3-39 through 3-41 summarize the airports, aircraft, types and rates of taxes collected, annual aviation program funding levels and tax exemptions by each state included in this study.

A couple notable facts can be seen through the comparison of airports and aircraft between these states. First, Washington is the only state in this comparison to have a greater share of non-NPIAS airports than NPIAS airports. Second, Washington has one of the highest levels of based aircraft per NPIAS airport.

**EXHIBIT 3-39  
State Aviation Airport/Aircraft Comparison**

State	Public Use Airports	Non-NPIAS		NPIAS			
		Airports	Percent	Airports	Percent	Based Aircraft	Average Based Aircraft
Colorado	76	27	35%	49	65%	4,565	93
Florida	129	29	22%	100	78%	10,931	109
Indiana	107	42	39%	65	61%	3,064	47
Louisiana	75	19	25%	56	75%	2,164	39
Ohio	169	69	41%	100	59%	4,395	44
Tennessee	81	12	15%	69	85%	2,724	39
Texas	396	187	47%	209	53%	11,535	55
Washington	134	70	52%	64	48%	5,963	93
Wyoming	41	8	20%	33	80%	938	28

Source: FAA National Plan of Integrated Airport Systems (2013 to 2017), WSDOT Aviation

**EXHIBIT 3-40  
State Aviation Taxation Comparison**

State	Sales/Use Tax	Fuel Sales Tax	Fuel Excise Tax (per gal.)	Aircraft Registration	Aircraft Excise Tax	Personal Property Tax	Annual State Aviation Program Funding
Colorado	2.9%	2.9%	\$0.04-\$0.06	NA	NA	NA	\$20,100,000
Florida	6.0%	0%	\$0.069	NA	NA	NA	\$130,000,000
Indiana	7.0%	0%	\$0.10	\$10	\$0.01 to \$0.09/lb	NA	\$2,400,000
Louisiana	4.0%	4%	\$0.00 to \$0.20	NA	NA	Varies	\$28,800,000
Ohio	5.75%	5.75%	\$0.00	\$15 per seat	NA	NA	\$1,100,000
Tennessee	7.0%	4.5%	\$0.01	NA	NA	25%-55%	\$4,000,000
Texas	6.25%	NA	NA	NA	NA	Varies	\$10,800,000
Washington	6.5%	6.5%	\$0.11	\$15	\$20-\$125	NA	\$1,400,000
Wyoming	4.0%	0.0%	\$0.04	NA		9.5% to 11.5%	\$8,500,000

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
State Departments of Transportation and Revenue



**EXHIBIT 3-41  
State Aviation Tax Exemptions**

State	Common Carrier	Casual Sales	Related Entity	Fly Away	Trade-In Allowance	Sale for Resale
Colorado	LTD	No	Yes	Yes	Yes	Yes
Florida	LTD	No	No	Yes	Yes	Yes
Indiana	Yes	No	No	Yes	Yes	Yes
Louisiana	LTD	Yes	No	Yes	Yes	Yes
Ohio	LTD	Yes	No	No	No	No
Tennessee	Yes	No	Yes	Yes	Yes	Yes
Texas	Yes	Yes	Yes	Yes	Yes	Yes
Washington	Yes	Yes	Yes	Yes	Yes	Yes
Wyoming	Yes	No	Yes	No	Yes	Yes

Source: Conklin & de Decker, *State Tax Guide for General Aviation*, December 2013  
LTD – Limited Exemptions Apply

There are several notable exemptions to the taxes listed above for each state. These exemptions can have a profound impact on the amount of tax revenue collected and are summarized in Exhibit 3-41 for comparative purposes.

## Analysis

The states studied in this section represent a cross-section of the country. While all states in the nation could not be evaluated within the parameters of this study, the states reviewed above provide examples of what some states

are doing to fund aviation. The following sections will analyze the data presented and take a closer look at how aviation is taxed within each state.

Aviation program funding levels can be analyzed to compare the states with one another to give an understanding of how money is ultimately distributed. Using the data collected above, it is possible to measure the average amount of funding to airports as well as how this equates to the number of based aircraft. Exhibit 3-42 highlights the key inputs and results of this analysis.

**EXHIBIT 3-42  
State Aviation Funding Analysis**

State	Public Use Airports	Based Aircraft	Annual State Aviation Program Funding	Funding per Airport	Funding per Aircraft
Colorado	76	4,565	\$20,100,000	\$264,400	\$4,400
Florida	129	10,931	\$130,000,000	\$1,008,000	\$11,900
Indiana	107	3,064	\$2,400,000	\$22,400	\$780
Louisiana	75	2,164	\$28,800,000	\$348,000	\$13,300
Ohio	169	4,395	\$1,100,000	\$6,500	\$250
Tennessee	81	2,724	\$4,000,000	\$49,400	\$1,500
Texas	396	11,535	\$10,800,000	\$27,300	\$900
Washington	134	5,963	\$1,400,000	\$8,200	\$180
Wyoming	41	938	\$8,500,000	\$207,300	\$9,000

CDM Smith

NA = not applicable



Exhibit 3-42 shows that there is a dramatic difference in aviation funding between states. Compared to other states evaluated in this study, Washington has one of the lowest funding levels as measured by airports and based aircraft.

Based on the facts and figures collected and presented throughout this section, it is clear that all states tax and fund aviation differently. Exhibit 3-43 includes a breakdown of aviation tax revenue sources for each state studied.

When program funding shown in Exhibit 3-42 is compared to tax revenue shown in Exhibit 3-43, there is no correlation between the two. Therefore, it appears that states fund aviation programs independent from how much they tax aviation. This is not to say that legislators do not consider tax revenue implications when making taxation and/or funding changes. **In Washington, 30 percent, or \$1.4 million of the \$3.7 million collected in aviation tax revenue, goes to fund aviation programs.**

State aviation funding programs have been in place as early as the 1930s and started as late as 1989. Colorado was the last state in the country to create a state aviation program to assist in the development and maintenance of airports. As stated in the Federal Funding section of this study, airports in the National

Plan of Integrated Airport Systems typically receive 90% of eligible project funding from the FAA. The remaining contribution is generally shared between the state and airport sponsor/airport owner. Airports not included in the NPIAS have a much larger burden to carry as they do not receive funding assistance for projects from the FAA. Therefore, additional pressure is put on the states to provide greater financial aid to these airports. With very limited resources, states must prioritize project funding allocations to what is deemed the most beneficial to the overall system of airports. As mentioned previously, over half of the airports in Washington State are not included in the NPIAS and rely more on local and state funding to carry project forward. Therefore, the Washington State Aeronautics Fund has a greater burden than many of the states evaluated in this study, due to its limited funding and number of non-NPIAS airport obligations.

**EXHIBIT 3-43  
State Aviation Tax Contribution (2013)**

State	License Permit Fees	USDOT Revenue	Excise Taxes	Aviation Fuel Tax	Motor Vehicle Fuel Tax	Interest Income	Other Revenue	Total Revenue
Colorado			\$1,300,000	\$34,200,000				\$35,500,000
Florida				\$38,000,000				\$38,000,000
Indiana			\$120,000**					\$120,000
Louisiana				\$28,800,000				\$28,800,000
Ohio	\$675,812						\$283,018	\$959,018
Tennessee			\$16,000**	\$294,000*				\$310,000
Texas*					\$6,300,000,000			\$6,300,000,000
Washington	\$102,755	\$781,464	\$28,493	\$2,430,980	\$280,939	\$2,495	\$57,879	\$3,685,005
Wyoming			\$50,000**					\$50,000

Source: State Departments of Transportation, for year available (range 2011-2013)

\*Note: Of the \$6.3 Billion fuel tax collected in Texas, \$20 million is set aside to fund aviation projects.

\*\*Note: Estimated using available volume data and current tax rates.



## Innovative and Beneficial Revenue Examples

The data sheets included in this section provide a glimpse of current legislation and taxation changes taking place in the states evaluated. Washington State could consider these states' funding strategies as options and alternative methods of taxation. The following points summarize some of the current trends in aviation taxation and provide an explanation of how these may impact various user groups.

- Many states are increasing the exemptions on taxes paid for parts and labor to aircraft. In various press releases and articles, most states attribute these actions as a move to remain competitive with other states to attract aircraft maintenance and manufacturing companies. In addition to boosting the overall local economy, these companies generally provide higher paying wages and stimulate payroll tax revenue for the state. Companies that manufacture and maintain aircraft will continue to bring their operations to states with lower tax rates and exemptions for parts and labor.
- Sales and use taxes are increasing. Several states evaluated in this study have increased their sales/use tax in recent years. None of them have decreased the sales/use tax. Some states, however, have added exemptions to the sales/use tax to lower the tax burden on small general aviation aircraft owners as well as people buying aircraft from other states (fly away exemption). These exemptions are intended to increase the sale and production of aircraft within the state. Aircraft manufacturing companies, therefore, will seek to do business with states that have fly-away exemptions.
- A growing trend within tax legislation is the employee tax credits provision. Perhaps in reaction to slower economic times, this is intended to incentivize companies to hire new workers. As a result, increased hiring for aviation technical and professional jobs will increase wage tax implications.

- For most states, fuel tax provides the greatest aviation contribution to state tax revenue. While some states are lowering the tax or increasing exemptions, it remains a vital part of tax revenue for many states. The greatest contribution to state aviation revenue, when applied, is the taxation of fuel to air carriers. This may influence the level of operations or hubbing activity for an airline within the state. Over the past decade, general aviation users leaving the market frequently cite the cost of aviation, and more specifically the aviation fuel costs, as a reason for their departure. Increases in general aviation fuel tax will likely result in further increases of general aviation users leaving the industry or seeking operations elsewhere.
- Aligning aviation taxes and fees to the consumer price index helps assure that aviation revenue keeps pace with inflation. Users will experience periodic increases in taxes and fees, but not necessarily at the level at which new taxes and fees would be implemented.

## Conclusion

All of the states studied in this section have different methods for taxing aviation. They also provide very different levels of contribution to state revenue departments. Whatever their level of contribution, however, the amount of aviation funding provided back to aviation departments to fund state aviation programs is not necessarily complimentary to the level of revenue generated by aviation. While it is important that aviation provide revenue to state government, also important to aviation and state program funding is the level of funding aviation receives from its state legislators and aviation revenue programs. As evidenced by the breakdown and comparison of state taxation methods studied in this section, some states tax aviation minimally while receiving much higher levels of program funding from other sources.

As a final method to demonstrate the disparity between aviation funding and its level of contribution to each state, Exhibit 3-44

presents the most recent, available aviation economic data alongside current program funding levels.

Every dollar spent in aviation has an impact to the state economy. It is possible to compare the annual funding levels of each state to aviation economic impact measures to draw conclusions on how much aviation funding may play a part in a state's economic activity. While the economic impacts presented are not directly a result of the program funding levels shown, theories can be drawn between the two. Job impact was calculated by dividing the annual state aviation program funding level by the jobs created by aviation as presented in each state's economic impact study. The low level of job impact

shown in Exhibit 3-44 demonstrates that most jobs in Washington are not created by aviation funding, but likely from stakeholders using the state system. Also shown in Exhibit 3-44, economic impact was compared to program funding levels. In this comparison, the percent of aviation funding attributed to total economic impact is shown. Similar to job impacts, Washington shows the least funding attributed to total economic impact, among those presented in the comparison. This is likely due to Washington's high level of aircraft manufacturing jobs and most economic impact generated from those jobs, not aviation program funding.

**EXHIBIT 3-44  
Aviation Economic Impact versus Funding**

State	Jobs	Total Economic Impact	Annual State Aviation Program Funding	Job Impact	Percent Attributed to Economic Impact
Colorado	265,700	\$36,700,000,000	\$20,100,000	76	0.055%
Florida	1,000,000	\$97,000,000,000	\$130,000,000	130	0.134%
Indiana	70,000	\$14,000,000,000	\$2,400,000	34	0.171%
Louisiana	NA	NA	\$28,800,000	NA	NA
Ohio	142,850	\$10,500,000,000	\$1,100,000	8	0.010%
Tennessee	163,500	\$21,000,000,000	\$4,000,000	24	0.019%
Texas	771,000	\$59,900,000,000	\$10,800,000	14	0.018%
Washington	248,000	\$51,000,000,000	\$1,400,000	6	0.003%
Wyoming	14,500	\$1,400,000,000	\$8,500,000	586	0.607%

CDM Smith

NA = not applicable



# LOCAL AIRPORT FUNDING

## Background

As available funding decreases at the federal and state levels, locally generated revenues are becoming increasingly important to funding operations and capital projects at airports. Commercial service airports are able to leverage airline-related revenues, but even those have been volatile over the past 10 years. Commercial and GA airports alike continue to pursue revenue generating solutions that are stable and may provide them with the ability to manage reserves and accomplish airport capital projects needed to meet demand. The local airport funding options discussed in this section are leveraged by Washington State airports as a means to provide local match for eligible FAA grant projects, as well as to fully fund other capital needs, including preservation and maintenance projects.

## Passenger Facility Charges

In 1990, Congress authorized public agencies managing commercial Airports (as approved by FAA) to issue a PFC in the amount of \$1, \$2 or \$3 per enplaned passenger. Revenues from PFCs were available to spend on eligible projects that enhance safety, capacity or security of the national air transportation system, reduce noise, or encourage opportunities for air carrier competition.

Today, PFCs may be leveraged up to \$4.50 per passenger boarding. All Washington State primary commercial airports, with the exception of Friday Harbor (\$3) and William R. Fairchild International (\$3) are approved to collect the maximum \$4.50 PFC. Airports that are approved for \$4 to \$4.50 PFCs are subject to a 75% reduction in their federal entitlement grants. FAA reduces these entitlements and uses the funds for grants to other airports that do not have the PFC revenue generating capabilities.

PFCs are advantageous to airports with strong commercial service and enplanements and may be used for eligible capital projects, to pay debt services and financing costs, and may be combined with AIP funds. A challenge to an airport's ability to leverage PFCs is associated with the direct impacts that the PFCs have (in addition to federal ticket taxes and security fees) to airline ticket prices.

PFCs are authorized and collected at nine airports in Washington State (see Exhibit 3-45). Authorized charges per passenger currently range from \$3 to \$4.50, and results in the opportunity for significant contributions to each of the approved airport's capital project resources. Annualized average total collections range from over \$16,000 per year (William R. Fairchild International) to over \$70 million per year (Sea-Tac).

## Bond Proceeds

Commercial service airports commonly leverage the sale of bonds to fund capital projects. Bonds may be issued by the airport themselves or by their associated sponsor (city, county, taxing authority, port district, etc.). Bonds are sold to investors with the obligation by the issuer to pay back the principal, with interest, at a later date. Bonds are backed by current and future revenue generating capabilities of the airport and/or sponsor. Typical bonds types include:

- **General Obligation (GO) Bonds** – backed by the tax base of the airport sponsor
- **General Airport Revenue Bonds (GARBs)** – backed by specific airport revenues such as PFCs, rents, etc., and may also leverage anticipated future grants.
- **Facility Bonds** – backed by anticipated revenues from facilities constructed with bonds

In general, bonds afford airports with strong revenue-generating capabilities the flexibility to improve or expand their facilities, without the eligibility requirements, restrictions, and mandates associated with government grants or PFCs. Conversely, bonding is a form of debt.

## EXHIBIT 3-45

### Passenger Facility Charges in Washington State

PFC Approved Locations, Collections and Expiration Dates (12/31/13)

Airport	ID	Approved Level	Total Approved	Annualized Average*	Duration (months)	Start Date	Expiration Date
Bellingham International	BLI	\$4.50	\$30,250,000	\$1,753,623	207	2010	2027
Friday Harbor	FRD/ FHR	\$3.00	\$517,077	\$ 33,540	185	2001	2016
Tri-Cities	PSC	\$4.50	\$24,227,535	\$ 988,879	294	2003	2027
William R. Fairchild International	CLM	\$3.00	\$161,209	\$ 16,534	117	2012	2022
Pullman/Moscow Regional	PUW	\$4.50	\$ 1,566,644	\$ 197,892	95	2005	2013
Seattle-Tacoma International	SEA	\$4.50	\$1,797,794,860	\$70,043,956	308	2003	2028
Spokane Int'l	GEG	\$4.50	\$68,683,633	\$6,541,298	126	2005	2015
Pangborn Memorial	EAT	\$4.50	\$938,454	\$ 150,153	75	2010	2016
Yakima Air Terminal / McAllister Field	YKM	\$4.50	\$ 1,086,610	\$ 277,432	47	2011	2015

\* Annualized average is based on average of approved PFC collections only and is not representative of actual or predicted collections.

Source: FAA

Issuing bonds for airport capital needs reduces the airport or agency's capability to borrow monies for other needs.

Spokane International Airport recently leveraged revenue bonds to improve their parking facilities and upgrade their parking revenue control systems, which were ineligible for AIP funds.

## General Funds

GA airports in Washington State generally rely on non-aviation-generated revenues from their associated jurisdictions. Sources of these revenues vary, depending on the agency but generally come from taxes including property taxes, sales taxes and utility taxes. Annual allocations vary significantly from airport to airport. Lynden Municipal receives a \$2,000 annual allocation from the City for airport needs. On the higher end, Southwest Washington Regional receives \$60,000 annually from each of the jurisdictions it serves,

including the cities of Kelso and Longview, Cowlitz County, and the Port of Longview.

The overall reliability of general funds is a continual challenge to airports. Agency general funds, by their nature, are funds that may be designated to any variety of agency needs. As such, airports must continually compete with other community interests and priorities to secure and maintain these funds.

## Airport Revenues

Airports may choose to retain a portion of revenues collected from both aeronautical and non-aeronautical related services to fund capital projects. Inherent in this decision making process is to evaluate capital needs along with operational needs and airline agreements. As federal grant funding availability continues to wane and airline revenues continue to flux, airports are seeking additional ways to self-fund capital projects and sustain financial self-sufficiency.



## Aeronautical Revenues

Aeronautical revenues associated with commercial air service are unique to each airport, but may include terminal space leases, landing fees, ramp fees for aircraft parking, and cargo fees. Airport/airline agreements include provisions to define the specific rates and charges, as well as the framework for how they are applied to capital projects at the airport. Airport operators are charged with developing short- and long-term capital plans to meet estimated community demand. Because of the financial uncertainty in the industry, airlines are primarily focused on controlling costs in the near term and having control in airport-related capital project spending. This conflict makes agreement on capital planning challenging and is driving airports to discover and utilize more non-aeronautical revenue sources for capital projects.

Airports collect other revenues from use of airside grounds, building space, or aeronautical related services including:

- **Aircraft fuel flowage fees** – collected on gallons of fuel dispensed
- **Landing and parking fees** – collected from airport users
- **Airside ground, hangar and building leases** – collected from commercial or private tenants

These revenues are available to all airports, from commercial service to GA. Small and GA airports rely on these types of aeronautical revenues as primary resources.

## Non-Aeronautical Revenues

Non-aeronautical revenues are becoming more important to airport operators of all sizes to sustain operations and fund capital projects. Non-aeronautical revenue opportunities are specific to airport types, and to specific airports and communities. Airport operators are benefitting from conversations with their peers on considering and implementing different opportunities. Commercial and GA airports alike can benefit from leveraging airport resources, such as

terminal buildings, land, and other airport buildings for significant revenue.

## Terminal Concessions

Airports may capture revenues from passengers or patrons using the terminal building or other facilities by providing concessions that offer goods and services. Current security practices require passengers to arrive early at airports, and connections at hub airports provide time to shop, dine, or even get personal services like massage, hair cut/style, or shoes shined. Exhibit 3-46 shows an example of concessions at Bellingham International Airport.

### EXHIBIT 3-46 Halibut Henry's Café at Bellingham International Airport



Source: Port of Bellingham website

Airports may lease individual locations in the terminal directly to the concession operators, or may employ agreements with developers or master concessionaires to develop, lease and manage all concessions at the airport. The Airports Council International North America (ACI-NA) conducts annual surveys to help airport operators understand trends in airport revenue generation and take advantage of ideas implemented by their peers. A 2013 Concessions Benchmarking Survey (ACI-NA, 2013a) indicates that annual growth (2012) for food and beverage concessions was 3% and growth for duty free, news, gift and specialty retail was 7%. Rents for these concessions are typically 10 to 15% of gross sales. Airports are employing methods to stabilize and improve concession revenues by tying rental increases

to the Consumer Price Index or other annual growth methods, by receiving a percent of sales, or by implementing a minimum annual guarantee.

Airports are studying and understanding patrons' preferences and catering to them to provide a comfortable and satisfying airport visit. Airport terminal buildings are being developed and renovated to accommodate an inviting experience for shopping and dining, and provide improved revenue streams and a quick return on investment. Kiosks and clusters of small shopping spaces provide for a larger variety of options for consumers, and additional rent per square foot for airports.

Airports can be a great location for business meetings and community events. Rental of airport terminal or other buildings for these types of events enhances revenues. Spokane International Airport recently renovated an old weather station building on airport property, repurposing it to be an event center that may be used by the airport for internal meetings, or leased for business meetings or event purposes.

## Parking and Ground Transportation

For commercial airports, parking revenues are typically the largest non-aeronautical source for revenue. Providing for safe and convenient parking opportunities for travelers and airport employees is relatively inexpensive, and provides for strong and stable revenues. At commercial airports, the 2013 ACI-NA Concessions Benchmarking Survey attributes 50% of non-aeronautical revenues to parking and ground transportation. Large hub airports across the U.S., such as Sea-Tac, are seeing a median of \$4 per enplaned passenger for parking and ground transportation. Small to medium hub airports report a median \$7 per enplaned passenger.

Commercial service airports are deploying creative parking strategies to further enhance revenues (Nichol, 2007), including:

- **Premium Parking** – Setting aside some of the most convenient parking locations and

marketing them as “premium parking” with a higher rate structure. Alternatively, offering monthly or corporate reserved parking offers the convenience of available specific parking spaces for frequent business travelers.

- **Valet Services** – Allow for curbside drop-off and pick-up of vehicle, which is popular with frequent flyers and business travelers. Some airports even offer car washing and light maintenance options.
- **Loyalty Programs** – Airports may offer discounts on parking and other concessions, and even airline frequent flyer miles to retain frequent user revenues.
- **Fees for Off-Site Parking and Ground Transportation Access** – Private off-site parking facilities, as well as off-site transportation courtesy shuttles, taxis, and charters may be charged a “privilege” or “access” fee per trip or as a percentage of gross revenues as they pick up or drop off patrons at airport locations. Current technology provides for automated metering and accounting of these movements.

Airports are also deploying operational methods to reduce costs and improve the customer experience (Exhibit 3-47), including:

- **Pay Station Parking** – Using automated pay stations allow for patrons to pay for parking at kiosks within the airport terminal or parking facilities before they get to their cars, which results in less time waiting at exits and reduced staffing costs. Some airports reward patrons with discounts for using the systems.
- **Ticketless Parking** – Patrons swipe their credit card to enter and exit the parking lot. Fees are automatically calculated and applied to the card on exit.



## EXHIBIT 3-47

### Sea-Tac Airport Website Promotes a Number of Parking Options, Monthly Plans, Payment Options, Promotions, and Incentives



#### Parking at Sea-Tac Airport

Whether you're traveling for business or pleasure, ParkSmart – Seattle-Tacoma International Airport's onsite parking garage – offers the closest, most convenient airport parking for your needs and budget. With both short- and long-term parking available, the ParkSmart garage at Sea-Tac Airport offers a wide range of affordable airport parking options for travelers who value convenience and the opportunity to save time and energy.

ParkSmart at Sea-Tac Airport makes that choice even more valuable, with 9,000 parking spaces just steps from the airport's main terminal – plus convenient payments options, parking programs, services and amenities. You have a choice about where you park when you fly. Make the smart choice that puts you right at the airport's front door.

A screenshot of the ParkSmart website. It features a navigation bar with four main categories: 'PARKING RATES' (Hourly, daily and weekly), 'PARKING COUPONS' (Promotions &amp; discounts), 'PAYMENT OPTIONS' (Many ways to pay), and 'MONTHLY PARKING' (Are you a road warrior?). Below this is a section titled 'WHAT'S THE QUICKEST WAY TO THE TERMINAL?' with a green button that says 'Park on the 4th Floor - Terminal Direct - and walk across any skybridge. All airlines can be accessed this way.' To the right, there is a 'View Our Interactive ParkSmart Brochure' link and a small image of a brochure. A prominent offer states 'Unlimited monthly parking in the Sea-Tac garage ONLY \$350 a month'.

Source: Port of Seattle website

## Car Rentals

Car rental services at airports provide convenience to passengers, and another key revenue stream for airport operators. Airports with car rental services have a number of potential ways to capture revenues, including:

- **Terminal and/or Land Leases** – Airports may lease terminal space for customer assistance and/or office space. Airport ground space may be leased for staging, preparing, cleaning and maintenance of rental cars.
- **Fees for Off-Site Access** – Off-site rental car companies may be charged a “privilege” or “access” fee per trip or as a percentage of gross revenues as they pick up or drop off patrons at airport locations. Current technology provides for automated metering and accounting of these movements.

Airports with consolidated car rental facilities may apply and collect a Customer Facility Charge (CFC) to each car rental agreement whereby capital and operations costs of these facilities may be funded. Sea-Tac's consolidated car rental facility leverages a \$6 per day CFC for each car rental, as well as an 11% Concession Recovery Fee.

## Advertising and Sponsorships

Airports of all types and sizes may capitalize on advertising and sponsorships to provide additional income. Businesses get the benefits of the high use of airport facilities, and potential customers with some time on their hands. 2005 advertising revenues for a national sampling of commercial airports ranged between 10 cents to 74 cents per enplaned passenger, resulting in revenues ranging from \$1.2 million (Fort Lauderdale) to \$33.3 million (Minneapolis-Saint Paul). Many airports use advertising agencies to solicit companies seeking advertising.

Within the terminal, advertising is using less space, and requiring less maintenance in airports, due to technological advancements where traditional print advertisements are replaced with electronic monitors with changing displays and airport Wi-Fi access points. Billboards on access roads even have the capability to host more than one advertisement, increasing revenues substantially for the same ad location. Space on airport infrastructure such as baggage claim conveyors, elevators/escalators, sky bridges, and parking garages may also be leveraged for advertising.

Businesses are also taking advantage of sponsoring conveniences for patrons at airports. Their logos may be affixed to any number of amenities, ranging from baggage carts, free Wi-Fi access pages, computer and handheld device charging stations, and passenger and pet “relief” stations.

## Commercial Development

There are a number of aeronautical businesses that benefit from locating on or near an airport facility. Depending on the nature of the airport site and available land, opportunities may exist to promote or increase commercial development of businesses including:

- **Fixed Base Operators** – GA aircraft fuel, parking, rentals, maintenance, and instruction
- **Cargo Companies** – Distribution or service stations for air cargo logistics such as U.S.

Postal Service, Federal Express, United Parcel Service, etc.

- **Industrial Companies** – Aircraft or aircraft parts manufacturers/distributors
- **Aircraft Servicing Companies** – Maintenance and repair, painting
- **Aircraft Servicing Vocational Training** – College or technical/vocational training
- **Medical Evacuation** – Air ambulance services
- **Pilot Training** – College or technical/vocational training

Hangar and/or building leases to local, state and federal government agencies provide for a relatively stable income for airports. Agencies that locate on airports in Washington State include:

- **U.S. Government** – Border Patrol, U.S. Forest Service, Bureau of Land Management, Bureau of Reclamation
- **State Government** – Washington Military Department, Washington State Patrol, Department of Natural Resources, Department of Transportation
- **Local Government** – Municipal police and/or county sheriff

Airports continue to expand development and use of airport lands and off-site areas owned or controlled by the airport to attract compatible non-aeronautical commercial, industrial, energy, or agriculture, including:

- **Industrial** – Importing/exporting, manufacturing, bulk storage, research and development
- **Agriculture** – farming (Exhibit 3-48), timber harvest, grazing
- **Energy** – solar farms, wind farms, oil, gas and mineral extractions
- **Commercial** – hotels, restaurants, commercial office complexes, business centers, automotive dealers, movie theaters, retail, technology centers, training facilities

Highest and best use of off-airport lands affords the airport operator maximum income for the land, which provides for increased

#### EXHIBIT 3-48

#### **Airport Land is Leased for Farming at the Pullman-Moscow Regional Airport**



*Airport land is leased for farming at the Pullman-Moscow Regional Airport*

ability to invest in improvements to airport facilities.

With any commercial development, airport operators must consider FAA restrictions on airport properties by 14 CFR Part 139, as they are tied to airport grant assurances for receiving and utilizing federal grants for projects or land acquisitions. Similarly, WSDOT Airport Aid Grant Assurances (WAC 468-260-030) require airports to prevent incompatible land uses.

## Other State and Federal Funds

Airports also may leverage state and federal grants to accomplish certain types of capital projects that may either be ineligible for AIP grants or PFCs or to supplement eligible project monies (such as for local match). Depending on the project type, goals, and key components, a variety of state and federal funding sources may apply. Due to limited resources, these funding options are competitive. Each funding source has specific requirements/objectives and projects should be evaluated against these at least at a high level prior to submitting an application.

Exhibit 3-49 summarizes potential state and federal sources that may be leveraged in Washington State.



## EXHIBIT 3-49

### Summary of State and Federal Funding Alternatives

*A number of economic development and surface transportation grants may apply to certain airport projects.*

Washington State Department of Commerce, Community Economic Revitalization Board (CERB) <a href="http://www.commerce.wa.gov/">http://www.commerce.wa.gov/</a>	Low-Interest Loan	<ul style="list-style-type: none"><li>• Public infrastructure improvement that encourages new business development and expansion in areas seeking economic growth</li><li>• Bridges, roads, water, sewer, storm sewer, railroad, utilities or buildings</li></ul>
Washington State Department of Commerce, Public Works Board (PWB) <a href="http://www.pwb.wa.gov/">http://www.pwb.wa.gov/</a>	Low-Interest Loan	<ul style="list-style-type: none"><li>• Loans for pre-construction (5-year term) and construction (20-year term) of critical water and sewer, and transportation infrastructure to accommodate growth and promote economic development</li></ul>
Washington State Freight Mobility Strategic Investment Board (FMSIB) <a href="http://www.fmsib.wa.gov/">http://www.fmsib.wa.gov/</a>	Grant	<ul style="list-style-type: none"><li>• Construction of surface transportation for strategic freight corridors</li><li>• Criteria based on reducing delay, improving safety for freight movements</li><li>• Local match (public or private) is advantageous</li></ul>
Washington State Transportation Improvement Board (TIB) <a href="http://www.tib.wa.gov/">http://www.tib.wa.gov/</a>	Grant	<ul style="list-style-type: none"><li>• Separate funds for large and small communities</li><li>• Focus is street construction and maintenance with specific programs for arterials, sidewalks, and preservation</li><li>• Local match required</li></ul>
Federal Highway Administration, Surface Transportation Program (STP) <a href="http://www.fhwa.dot.gov/map21/factsheets/stp.cfm">http://www.fhwa.dot.gov/map21/factsheets/stp.cfm</a>	Grant	<ul style="list-style-type: none"><li>• Preservation and new construction for public roadways (arterials and major collectors), pedestrian, bicycle and transit infrastructure</li><li>• Projects must be on local/regional transportation improvement plan and in WA State transportation improvement plan</li><li>• Local match (public or private) is required</li><li>• Discuss and apply through regional/metropolitan transportation planning organization</li></ul>
Federal Highway Administration, Transportation Alternatives Program (TAP) <a href="http://www.fhwa.dot.gov/map21/factsheets/tap.cfm">http://www.fhwa.dot.gov/map21/factsheets/tap.cfm</a>	Grant	<ul style="list-style-type: none"><li>• Alternative transportation projects including transit, pedestrian, bicycle and other non-motorized</li><li>• Projects must be on local/regional transportation improvement plan and in WA State transportation improvement plan</li><li>• Local match (public or private) is required</li><li>• Discuss and apply through regional/metropolitan transportation planning organization</li></ul>
Federal Highway Administration, Congestion Mitigation and Air Quality Improvement Program (CMAQ) <a href="http://www.fhwa.dot.gov/map21/factsheets/cmaq.cfm">http://www.fhwa.dot.gov/map21/factsheets/cmaq.cfm</a>	Grant	<ul style="list-style-type: none"><li>• Transportation projects to reduce congestion and improve air quality for areas that do not meet the National Ambient Air Quality Standards</li><li>• Projects must be on local/regional transportation improvement plan and in WA State transportation improvement plan</li><li>• Local match (public or private) is required</li><li>• Discuss and apply through regional/metropolitan transportation planning organization</li></ul>
Transportation Security Administration, Transit Security Grant Program (TSGP) <a href="http://www.tsa.gov/stakeholders/transit-security-grant-program-3">http://www.tsa.gov/stakeholders/transit-security-grant-program-3</a>	Grant	<ul style="list-style-type: none"><li>• Capital projects that remediate security vulnerabilities, with preference to projects that may be quickly implemented</li><li>• Criteria based on risk, match with TSA funding priority areas, and regional collaboration (where appropriate)</li></ul>

Spokane International Airport (SIA) is active on the board and in committees for Spokane's Regional Transportation Planning Organization (RTPO), the Spokane Regional Transportation Council (SRTC). As a regionally significant transportation link, the airport benefits from involvement in regional transportation discussions involving transportation planning, funding opportunities, and regional project coordination. SIA is currently leveraging a federal STP funding grant for design of key safety improvements on the airport access roadway.

## Applicability

The local revenue generating opportunities discussed in this section may not be applicable for all airport types. For example, approved airports with commercial service may generate and utilize PFCs, whereas the airports without commercial service do not have this opportunity. Exhibit 3-50 summarizes the applicability of the various local funding options across the airport categories in Washington State, and provides a generalized sense for the magnitude and availability of the options.

**The local revenue generating opportunities discussed in this section may not be applicable for all airport types. For example, approved airports with commercial service may generate and utilize PFCs, whereas the airports without commercial service do not have this opportunity.**

Commercial airports across the country and in Washington State are leaning more and more towards non-aeronautical sources of revenue. They are trying to capture new revenues from new markets, and reduce dependency on the unpredictable and cyclical nature of the aviation market. Exhibit 3-51 shows the relative significance of non-aeronautical revenues to commercial airports, and further, the general

make-up of the non-aeronautical revenues. **In 2012, non-aeronautical revenues comprised nearly half of the U.S. commercial airport revenues.** Exhibit 3-52 illustrates the relative amount of revenue per passenger enplanement from non-aeronautical sources, and the upward trend over time.

**In 2012, non-aeronautical revenues comprised nearly half of the U.S. commercial airport revenues.**

GA airports typically derive their revenues from fuel flowage, landing/ramp fees, commercial and/or agricultural leases, and hangar leases. Like commercial airports, GA airports increasingly are looking for non-aeronautical opportunities to grow and diversify their revenue streams. Options are limited for GA airports, without the significant volume of airport users. Airport-owned or controlled lands are the largest asset that may be leveraged for potential revenue generation from commercial, industrial, and/or agricultural sources.

**Airport-owned or controlled lands are the largest asset that may be leveraged for potential revenue generation from commercial, industrial, and/or agricultural sources.**

Seaplane bases in Washington State are highly unique. Locally available revenue sources vary accordingly. Seaplane bases with commercial service, such as Kenmore Air Harbor are able to leverage PFCs, and terminal concessions. Others, such as Will Rogers Wiley Post Memorial Seaplane Base (SPB) (Renton) is uniquely positioned with a runway and SPB, and benefits from float plane maintenance businesses. Others offer few services and amenities and are reliant on user fees and other non-airport revenues.



EXHIBIT 3-50

**Applicability of Local Funding Options**

Availability of local funding options across airport categories

Airport Category	Aeronautical Revenues			Non-Aeronautical Revenues					Non-Airport Revenues		
	Passenger Facility Charge (PFC)	Leases/Landing/Ramp Fees	Aircraft Fuel Flowage	Terminal Concessions	Parking and Ground Transportation	Car Rentals	Advertising and Sponsorships	Commercial Development	Bond Proceeds	General Funds (Jurisdiction)	Other Federal and State Grants
<b>Commercial Service</b>	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A	✓
Reliability	High	High	High	High	High	High	High	Low	Med	-	Low
Revenue Potential	Med-High	Med-High	Med-High	Med-High	Med-High	Med-High	Med-High	High	High	-	Med-High
<b>Regional Service</b>	N/A	✓	✓	✓	N/A	N/A	✓	✓	✓	✓	✓
Reliability	-	High	High	High	-	-	High	Low	Med	Med	Low
Revenue Potential	-	Low-Med	Low-High	Low-Med	-	-	Low	Med-High	High	Low-High	Med-High
<b>Community Service</b>	N/A	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓
Reliability	-	High	High	-	-	-	-	Low	Med	Med	Low
Revenue Potential	-	Low-Med	Low-Med	-	-	-	-	Med-High	High	Low-Med	Med-High
<b>Local Service</b>	N/A	✓	✓	N/A	N/A	N/A	N/A	✓	✓	✓	✓
Reliability	-	High	High	-	-	-	-	Low	Med	Med	Low
Revenue Potential	-	Low	Low-Med	-	-	-	-	Med	High	Low-Med	Med-High
<b>Rural Essential</b>	N/A	✓	✓	N/A	N/A	N/A	N/A	N/A	✓	✓	✓
Reliability	-	High	High	-	-	-	-	-	Med	Med	Low
Revenue Potential	-	Low-Med	Low-Med	-	-	-	-	-	High	Low	Med-High
<b>Seaplane Base</b>	✓	N/A	N/A	✓	N/A	N/A	✓	N/A	✓	✓	✓
Reliability	High	-	-	High	-	-	High	-	Med	Med	Low
Revenue Potential	Med	-	-	Med	-	-	Med	-	High	Low	Med-High

Legend:

Reliability

High = Continually Available

Med = Intermittently Available

Low = Competitive or Market-Driven Process Required

Revenue Potential

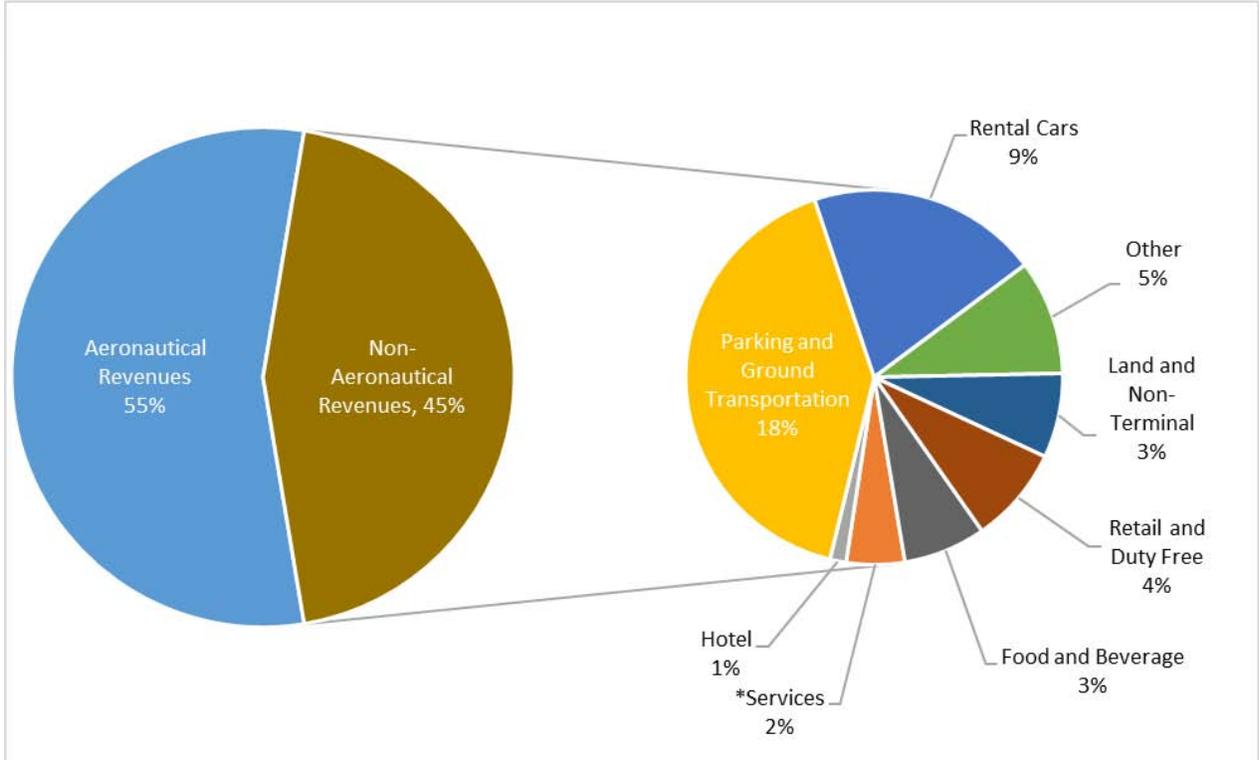
High = >\$100k

Med = \$10k to \$100k

Low = <\$10k

**EXHIBIT 3-51**  
**2012 Airport Revenues Summary**

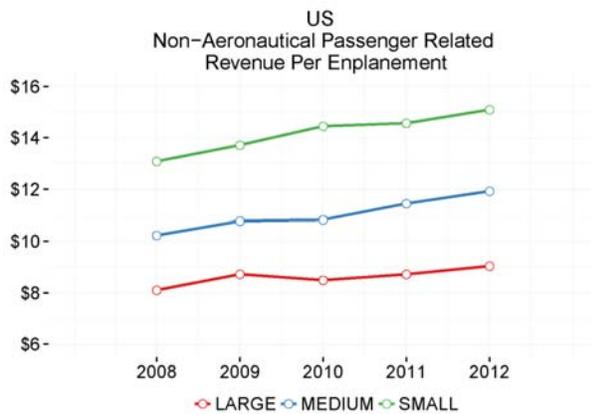
Non-aeronautical revenues comprise nearly half of U.S. airport revenues



Source: ACI-NA, FAA

\*Services include telecommunications, internet access, advertising, spas, shoeshine stands, barber shops, etc.

**EXHIBIT 3-52**  
**U.S. Non-aeronautical Passenger-Related Revenue per Enplanement**



Source: ACI-NA



## Summary and Trends

The scope of this study does not allow for research and reporting of every public use airport's local funding sources and associated contributions to obtain a complete understanding of the historic and current impact to the Washington State airport system. The magnitude of revenue potential for each local funding option varies greatly from airport category to airport category. In addition, airports within the same category may differ significantly depending on the number and volume of activities that drive the revenue source. As such, we are able to assess the relative magnitudes for revenue potential for the various funding types and identify trends to understand their potential future significance.

Exhibit 3-53 compares magnitudes of local revenue sources available for the different categories of Washington State airports. Only local revenue sources that are generally available (reliable) to the facilities are included. Competitive-based local, state, and federal grants were not included.

Not surprisingly, commercial service airports are able to leverage the high number of enplanements, operations, and passengers to utilize more types of revenue sources and to a much greater degree than airports without commercial service. Commercial service airports in Washington State can generate hundreds of thousands to millions of dollars in revenues to fund capital needs. The disparity between airports is great, due to the number of enplanements and operations.

Regional and community service airports are comparable in terms of the types and magnitudes of local funding sources available. Without commercial air service, these airports rely on high levels of general aviation activity, aviation and non-aviation related land/building leases, and contributions from their jurisdiction's general funds. Regional

service and community service airports in Washington State can generate thousands to hundreds of thousands of dollars in revenues to fund capital needs. There is great disparity among the revenue-generating capabilities of the airports within these categories, even though operations-wise, they are similar. The highest revenue generating airports in these categories have significant land/building leases in addition to strong GA operations.

Local service and rural essential airports are comparable in terms of the types and magnitudes of local funding sources available. These airport types do not have high general

aviation activities and are typically located in small cities or rural counties. These airports rely on a much lower level of aviation traffic, in combination with land/building leases and

contributions from their jurisdiction's general funds. Local service and rural essential airports in Washington State can generate thousands to tens of thousands of dollars in revenues to fund capital needs. The highest revenue-generating airports in this category are located more closely to population centers and have additional aviation-related services, such as flight instruction and plane rentals that help to drive revenues into the hundreds of thousands.

For Washington State's 16 commercial service airports, aeronautical (PFCs, fuel flowage, and landing/ramp fees) and some non-aeronautical revenues (concessions, parking and ground transportation, car rentals, and advertising) may be directly or indirectly tied to forecast growth in passenger enplanements. The FAA is projecting 2.2% growth in passenger enplanements through 2032 (FAA, 2012). Further, ACI-NA's national survey (ACI-NA, 2013b) results indicate non-aeronautical related revenues per passenger also continue to rise for all sizes of commercial service airports. With the modest enplanement growth, airports will be seeking to capture and maximize non-aeronautical revenues.

**Airport-owned or controlled lands are the largest asset that may be leveraged for potential revenue generation from commercial, industrial, and/or agricultural sources.**

EXHIBIT 3-53

**Local Revenue Sources in Washington State**

*Magnitude of local revenue resources varies significantly between categories, and even within categories.*

Category	Airport Revenue Sources	Revenue Range (approx.)	Non-Airport Revenue Sources	Revenue Range (approx.)	Reliable Revenue Magnitude*	Exceptions or Notables
<b>Commercial Service</b>	PFCs, landing fees, hangars/tie-downs leasing, land leasing, building leasing, fuel sales, parking, access fees, advertising, concessions	\$300,000 to \$18 million, and beyond	Jurisdiction contributions (general fund, bond proceeds, taxes)	to \$600,000	\$100,000s to \$millions	Huge variance in this category.  Sea-Tac (large hub) with over 33 million passengers, 309,000 operations, 283 metric tons of cargo, and \$521 million revenues in 2012 to William R. Fairchild International with less than 10,000 passengers, and \$334,000 in revenues in 2012.
<b>Regional Service</b>	Hangars/Tie-downs leasing, land leases, building leases, fuel sales, flying clubs	\$420,000 to \$685,000	Jurisdiction contributions (general fund, taxes, bonds), rural development grants	\$1,000 to \$127,000	\$1,000s to \$100,000s	Renton: Unique through-the-fence access fees, ground and building rents, fuel flowage – \$2.4 million  Arlington: Extraordinary business land leases, building rentals, fuel fees, hangar and tie-down fees – \$2.7 million
<b>Community Service</b>	Hangars/tie-downs leasing, land leasing, building leasing, fuel sales, flying clubs	\$5,000 to \$600,000	Jurisdiction contributions (general fund)	<\$127,000	\$1,000s to \$100,000s	A wide variance in this category.  Pierce County Airport-Thun Field: High number of operations yields \$485,000 in aeronautical leases/fees, and add \$127,000 from dedicated local real-estate excise tax.  Pearson Field: Highest number of operations in southwest Washington State yields \$600,000 in aeronautical leases/fees and fuel flowage.
<b>Local Service</b>	Hangars/tie-downs leasing, land leasing, flying clubs	<\$10k	Jurisdiction contributions (general fund), economic development grant	<\$10,000	\$1,000s to \$10,000s	None identified.  All are dependent on jurisdiction funding.
<b>Rural Essential</b>	Hangars/tie-downs leasing, fuel sales, flying clubs	\$5k to \$25k	Jurisdiction contributions (general fund), fund raisers	<\$10,000	\$1,000s to \$10,000s	Crest Airpark: Flight instruction and aircraft rentals drive revenue capacity to \$600,000.
<b>Seaplane Base</b>	Landing fees	Not reported	Not reported	Not reported	Unknown	Each is very unique.  Will Rogers Wiley Post Memorial Seaplane Base (SPB) (Renton) is uniquely positioned with a runway and SPB, and benefits from float plane maintenance businesses.

\* No competitive based federal, state or local grants were considered.

Note: Availability of funding options at Seaplane Bases varies greatly due to varying functions, services offered, and locations.



Washington State's GA airports will continue to have funding resource challenges in the long term. FAA projects the number of GA hours flown to increase a modest 1.5% per year through 2033 (FAA, 2013c), primarily fueled by growth in business aviation demand. The number of active GA pilots is projected to

increase by 0.4% annually through 2033. These relatively modest increases will have a hard time keeping pace with increasing operations and capital costs at GA airports, requiring airport operators to become more innovative with non-aeronautical related funding sources.