

STATE FINANCIAL SUPPORT FOR GENERAL AVIATION  
AIRPORTS  
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### Summary

Financial support for airports at the state level is as varied as the 50 states themselves, and yet there are many similarities and a common philosophy underlying their involvement.

The states are involved simply because there is a need to be filled that the federal and local governments have been unable to meet. Even though the Federal Aviation Administration has been given the responsibility by Congress to foster the growth of civil aeronautics and develop air commerce, its funding capabilities are limited. Given budgetary ceilings, the FAA is not able to keep up with the demand imposed on airports and aviation systems. State agencies have helped to initiate and build practically all new publicly owned, general aviation airports in the last 30 years; few have been improved without state funding since the beginning of the Airport Development Aid Program (ADAP), while dozens of others have been developed with state and local funds. What the aviation industry and 50 states do, individually and collectively, has a greater impact on the national transportation network and economy than most observers are aware.

The objectives of this paper are: 1) to demonstrate how states are or can be committed to the development of general aviation airports; 2) to review some current trends and problems associated with state planning and funding; 3) to suggest how the aviation industry contributes to the average state's economy.

### Introduction

Financial support for airports at the state level is as varied as the 50 states. Historically, state financial involvement in airports predates the federal government by about 36 years. The Air Commerce Act of 1926 specifically prohibited the federal government from building airports, reserving the responsibility for local and state governmental units. It was not until 1947 that the federal government began sustained financial support for airports through the Federal Aid to Airports Program (FAAP).

This commitment was expanded in 1970 when the airport and airways trust fund was created to enable certain types of airport improvements to be federally financed through the proceeds of user charges, reducing appropriations from the general fund. Historically, over 85 percent of the annual expenditures by the federal government from the trust fund have gone to air carrier airports. Since the end of World War II, the number of airports in the United States has grown tremendously, over 140 percent, while the number of airports eligible for federal assistance represents only 29 percent of the total. Therefore, the primary responsibility for financial support of general aviation has continued to rest with state and local governments.

The State of Arizona has identified needs of \$678 million for the next 10-year period of which \$250 million is attributed to general aviation airports. Although each state uses different revenue sources to support aviation activities, there is growing pressure for revenues to be increased because needs are greatly outpacing revenues. The objectives of this paper are to outline the

general aviation airport needs; identify the direct and indirect financial assistance states currently provide; discuss the funding problem; and recommend a possible solution to the shortfall problem.

### Trends And Current Status

◦ Aviation Growth During the past 15 years, aviation has experienced a tremendous growth in all areas. There has been a 90 percent increase in the number of general aviation aircraft, a 72.3 percent increase in the number of pilots, while the number of hours flown has increased 146.8 percent. These are also indications of the growing demand for adequate airports and facilities. Figure 1 demonstrates the growth of the national airport system from 1950 through 1981. Note that the number of airports eligible for federal assistance has increased 30 percent while the total number of airports has increased 142 percent. Only 29 percent of the total number of airports in the country are eligible for federal assistance, leaving the other airports to be supported by state, local and private resources.

◦ Construction Costs The increasing costs of goods and services throughout the economy is even more accelerated when related to purchases of airport construction materials. The materials used in runway/taxiway construction and maintenance reflect even higher average costs since many of them are derived from oil and petroleum products. Figure 2 is the Arizona Department of Transportation Construction Price Index which shows a dramatic increase between 1970 and 1980.

◦ Land Acquisition Costs Another important impact on general aviation airport needs is the high cost related to land acquisition. Such costs are associated with acquiring land needed for airport expansion, ensuring compatible land use, or preserving the operational integrity of the airport.

◦ Deferred Maintenance The General Accounting Office (GAO) recently published a report which surveyed 46 general aviation airports in 10 states. The report concluded that many runways at small airports are deteriorating faster than necessary because airport owners are deferring critical maintenance, while blaming the delays on a lack of funds. The report warns, unless the FAA and Congress take action to improve maintenance conditions, the result will be damage to the runway's structure and shortened useful life. At issue in the report was whether or not the airport owners were holding up their end of federal grant agreements to properly maintain the facilities. The report concludes that the lack of funding was the most often quoted reason for delaying repairs; this problem exists nationwide.

### General Aviation Airport Needs

The FAA's most recently published National Airport System Plan (NASP) identified airport capital improvement needs by project and airport for the period 1980-1989. (General aviation airports are defined to include reliever airports.) The NASP identifies national general aviation airport needs for the 10-year period of \$4.22 billion. Of this amount, the NASP forecasts the State of Arizona general aviation airports need at \$50.8 million.

A study recently completed by the Arizona Department of Transportation identifies such

Figure 1., National airport system growth.

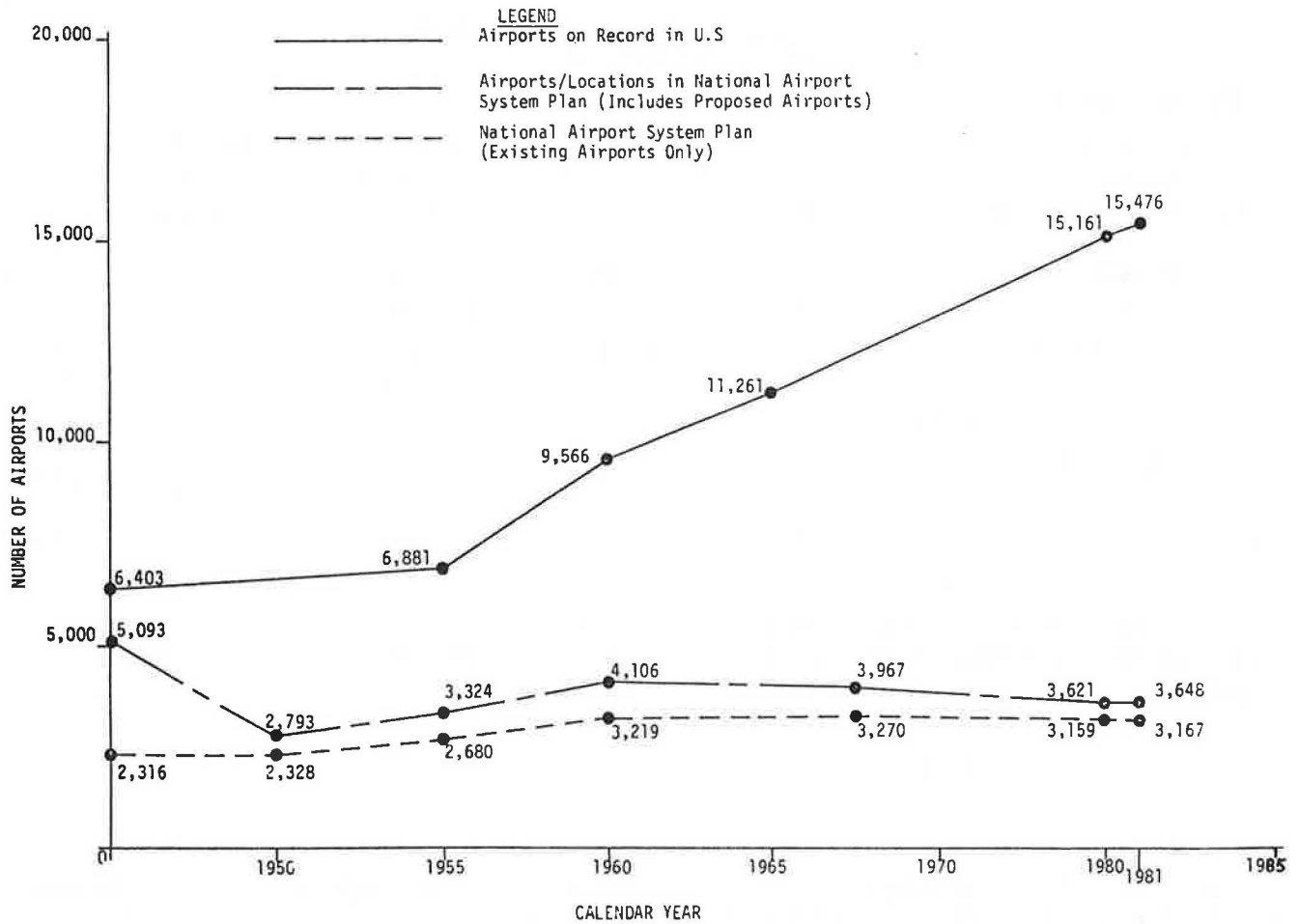


Figure 2. Arizona Department of Transportation construction price index.

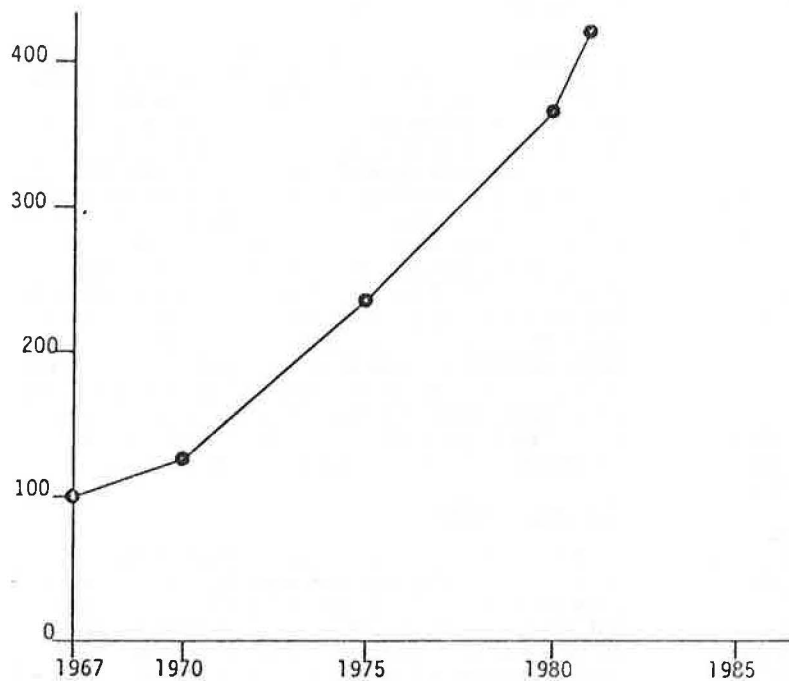


Table 1. Ten year state airport system needs (thousands of current (inflated) dollars).

	<u>Pavement</u> <sup>(1)</sup>	<u>Land Acquisition</u>	<u>Navigation Aids</u>	<u>Landside<sup>(2)</sup> Facilities</u>	<u>Total</u>
<b>Primary System:</b>					
Reliever	\$ 42,500	\$ 28,803	\$ 4,808	\$13,054	\$ 89,165
Primary	<u>38,624</u>	<u>4,945</u>	<u>7,422</u>	<u>4,488</u>	<u>55,479</u>
<b>TOTAL PRIMARY SYSTEM</b>	<b>\$ 81,124</b>	<b>33,748</b>	<b>12,230</b>	<b>17,542</b>	<b>144,644</b>
<b>Secondary System</b>					
Secondary System	12,511	123	360	1,126	14,120
Off System	6,454	--	1,826	66	8,346
New Reliever	26,367	20,636	1,361	8,402	56,766
Heliports	239	7,857	84	8	8,188
Recreational Airport	--	--	--	--	4,202
Unallocated Gen. Maint.					<u>14,000</u>
<b>TOTAL<sup>(4)</sup></b>	<b>\$126,695</b>	<b>\$ 62,364</b>	<b>\$15,561</b>	<b>\$27,144</b>	<b>\$250,266</b>

(1)"Pavement includes runway, taxiway and aprons."

(2)Landside facilities include airport security, utilities, automobile access and terminals

(3)"Off System" includes Cochise College, Chandler Memorial, Peach Springs and North Rim.

(4)Total do not add across because Recreational Airports and general maintenance are not included in improvement categories.

airport development needs as being \$250 million in current 1982 inflated dollars (see Table 1). This variance between the NASP and Arizona's study can be explained by the state's inclusion of items and airports ineligible under the federal program. Such items include the following:

- ° The SASP identified 94 publicly-owned and operated airports eligible for state aid while the NASP contains only 56 Arizona airports.
- ° The study includes major emphasis on routine and preventative maintenance.
- ° The study also projected needs for heliports, recreational flying facilities and some instrument landing systems.

Table 1 outlines the categories and estimated amounts required to adequately meet the needs of general aviation airports in Arizona.

#### State Assistance

Direct: In 1980-81 federal, state and local governments expended a total of \$1.3 billion on capital outlays for air transportation. Of that \$1.3 billion, states expended \$135 million on airport development projects, local governments expended an additional \$722 million, while the federal government accounted for \$494 million in airport capital needs (see Figure 3).

In addition, state aviation departments also provided direct financial support through the funding of airport planning grants, transportation

bonding programs, hangar loan programs, emergency repairs and the operation of state airport facilities.

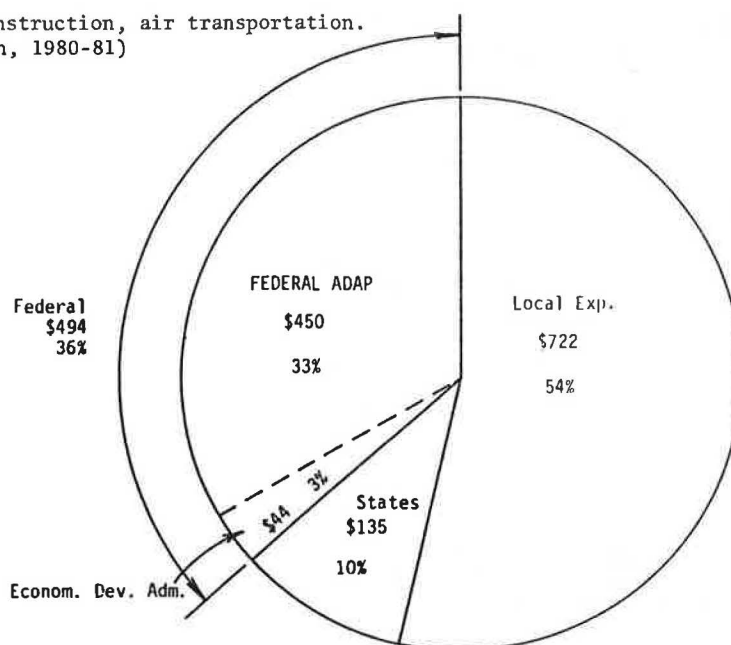
During FY 1981-82, 34 states expended approximately \$189 million for operating and improving state-owned airports, while 24 states also owned and maintained several hundred navigational aids throughout the country.

Indirect: Many state agencies provide services which have a beneficial, although indirect, financial impact on aviation. Some states provide planning, engineering and administrative services to assist county and local communities with airports. The role of state aviation departments in the area of airport development has been to provide technical information and assistance in evaluating and developing an orderly statewide aviation program. While being a data source, state agencies attempt not to duplicate federal or local efforts, but rather to complement and coordinate statewide aviation and intermodal needs. Several states offer engineering and planning services which provide professional assessments and recommendations. Some states also provide administrative services including legal assistance (contractual review), financial and project auditing, etc.

#### Funding Shortfall

In Arizona the general aviation needs have been identified as \$250 million over 10 years. Revenues from current state tax sources will produce only \$31 million. It is estimated that federal and local funds will provide \$69 million over the period leaving a shortfall of \$150 million. (Table 2)

Figure 3. Capital outlays for construction, air transportation.  
(Total expenditures \$1.351 billion, 1980-81)



Presently, Arizona has a state aviation fund which receives revenues generated from an aircraft lieu tax, aircraft registration fees, aviation gas taxes and revenues from the state-owned airport at the Grand Canyon. These sources provide approximately \$3 million annually in revenue. A recent survey by the National Association of State Aviation Officials (NASAO) identified the current available revenue sources for state governments. Of the 47 states responding 17 different sources of aviation revenue were noted. They include:

Number of States Using Source	Current Sources of Revenue for State Aviation Agencies
24	General funds
4	Transportation funds
2	Flight property taxes
8	Bond issues
19	Aviation gas tax
16	Jet fuel tax
3	Sales tax on general aviation fuel
3	Sales tax on air carrier fuel
8	Unclaimed fuel refund taxes
13	Aircraft registration fees
6	Airmen registration fees
4	Airport licensing fees
2	Airport manager licensing fees
9	Revenue from state-owned airports
1	State-owned airport revenue bonds
6	Interest on invested funds
2	Highway funds

It is vital to mention that the aviation community pays a significant amount in taxes that are not earmarked for aviation. The findings of the Arizona Aviation Futures Task Force confirmed this fact. In March of 1982, Governor Bruce E. Babbitt called for the formation of a task force to review aviation problems within the state. Recommendations were developed for the purpose of resolving issues and shortfalls in the state's aviation industry. He formed a 33-member task force comprised of businessmen and women throughout the state to assess the aviation contributions relating to economic develop-

ment, airspace/air safety problems, and aviation finance. The task force was divided into three committees which included the airspace/air safety committee, the airport/heliport development committee, and the economic impact committee.

Major findings of the task force were:

1. A \$150 million shortfall would exist for Arizona's general aviation airports over the next 10 years as a result of the state's limited revenue sources.
2. The aviation industry contributes \$140 million in taxes to state coffers each year.
3. The aviation industry has an economic impact of \$4 billion on the state's 2.7 million population.

If the trends in Arizona are extended to the nation as a whole, then the aviation industry contributes \$11.8 billion to state tax coffers and approximately \$355 billion to the nation's economy (roughly 12.8 percent of the Gross National Product).

#### Conclusions

The \$3 million that Arizona invests in airport development each year is but a small fraction of the state revenues generated by the aviation industry. There is no doubt that the industry is paying more than its fair share to support the aviation program.

It is unfair to propose new taxes for meeting airport needs until a precise analysis is undertaken in each state to determine how much each contributes. If the user fee philosophy is followed to its logical conclusion, all services provided by the government, such as education, drug and alcohol rehabilitation programs, and correctional programs, should be paid for by the recipient of the service. Application of this same philosophy to the aviation industry means that the states, before attempting to raise taxes, should attempt to recapture a greater share of the funds generated by the aviation industry to develop our airport system.

Table 2. Arizona's aviation balance sheet (ten years) for general aviation airports.

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Improvement Requirements (Needs):

Arizona	\$250 Million
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Revenue Available (Current):

AZ	Federal & Local	\$ 69 Million
	State	31 Million

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Total	\$100 Million
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Arizona's Shortfall:	\$150 Million
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