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## Air Transportation Revenue and Expenditure Report For Release to the Aviation Planning Council

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### Version Control

Version	Date	Author	Change Description
1.0	11/26/2008	K. Aggarwal	Document created

**DRAFT**

**INTRODUCTION .....3**

**FUNDING AVIATION INFRASTRUCTURE.....4**

FEDERAL AND STATE FUNDING OVERVIEW .....4

FEDERAL REVENUE SOURCES .....5

AVIATION TRUST FUND SOURCES .....6

AVIATION TRUST FUND RECEIPTS FROM EXCISE TAXES .....6

FAA FISCAL YEAR 2005-2009 BUDGET .....7

PASSENGER FACILITY CHARGES (PFCs) .....7

FEDERAL AIP GRANT FUNDS RECEIVED FOR WASHINGTON STATE AIRPORTS .....8

FEDERAL AIP GRANT FUNDS RECEIVED FOR WASHINGTON STATE AIRPORTS .....9

WASHINGTON STATE AVIATION FUNDING SOURCES .....10

WSDOT 2007 – 2009 OPERATING BUDGET .....10

WSDOT 2007- 2009 CAPITAL BUDGET .....11

WSDOT AVIATION REVENUE SOURCES 2007 – 2009 .....12

AVIATION DIVISION – OPERATING BUDGET 2007-2009 .....13

LOCAL AID GRANT PROGRAM.....14

STATE REVENUE FROM AVIATION-RELATED SOURCES: 2007 - 2009.....14

STATE AVIATION-RELATED REVENUE SOURCES 2007- 2009 .....15

EXEMPTIONS.....16

NON COMMERCIAL AVIATION SALES TAX .....17

COMMERCIAL AVIATION .....17

AVIATION USE TAX .....17

**CONCLUSION .....18**

**REFERENCES .....19**

**APPENDIX .....20**

**DRAFT**

## **Introduction**

The Washington State Aviation Planning Council has been charged with the task of developing strategic recommendations to the Governor, Legislature and Transportation Commission to address the state's forecasted airport capacity constraints to 2030. The Council will develop recommendations after analyzing various alternative strategies and determining preferred options. In its analysis, it is important for the Council to understand what federal and state funding sources are available to support the alternatives, and what potential resources could be made available if needed.

Features in the report will include:

- Identification of state and federal revenue sources
- Description of how much money will be needed to address aviation capacity gaps to 2030
- Selection of a preferred strategy to be forwarded to the Governor, Legislature, Transportation Commission and Regional Transportation Planning Organizations by July 2009

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## **Funding Aviation Infrastructure**

The purpose of this section is to identify the sources of revenue used to fund the national and Washington State airport infrastructure systems, and how those resources are allocated. This section specifically examines both federal and state revenues currently invested in Washington airports. In addition, this section will highlight state aviation fees and taxes that are exempt or not used for aeronautical uses.

### **Federal and State Funding Overview**

The United States has the largest, most extensive aviation system in the world, with more than 19,000 airports. US airports range from large commercial transportation centers enplaning more than 49 million passengers annually to small grass airstrips serving only a few aircraft each year. Airports in the US are overwhelmingly owned and operated by municipal, county, regional and, in some instances, state governments. Of these airports, 3,364 are designated as part of the National Plan of Integrated Airport Systems (NPIAS) and are therefore eligible for federal assistance.

There are 139 public use airports in Washington State. Sixty-six are NPIAS airports eligible for federal funds. The remainder of the system is primarily small community airports that rely on state and local funding. While airport operating costs are funded through local airport fees, the Federal Aviation Administration (FAA) has provided much of the funding for airport infrastructure improvements.

Prior to 1970 federal assistance to airports was funded by the US General Fund. After 1970, the Airport and Airway Trust Fund (AATF) and the Airport Development Aid Program were established. Revenue to fund the trust fund was derived from the passenger tax and other excise taxes. The Airport and Airway Improvement Act (AAIA) of 1982 established the current framework for federal financing of US airport development and improvement projects. The AATF is the depository for airport infrastructure revenue under the Airport Improvement Plan (AIP). Such revenue is derived from airline taxes, fuel taxes, airway bill taxes and other taxes and fees. In 1990, in recognition of the need to generate local discretionary sources of capital, Congress created the Passenger Facility Charge (PFC) program, which allowed airports to impose fees on each boarding passenger for FAA approved projects. These fees are levied primarily for terminal improvements.

Most states also provide financial assistance to airports, usually in the form of matching funds for AIP grants. States obtain funding from aviation fuel and aircraft sales taxes, highway taxes, bonds and general fund appropriations.

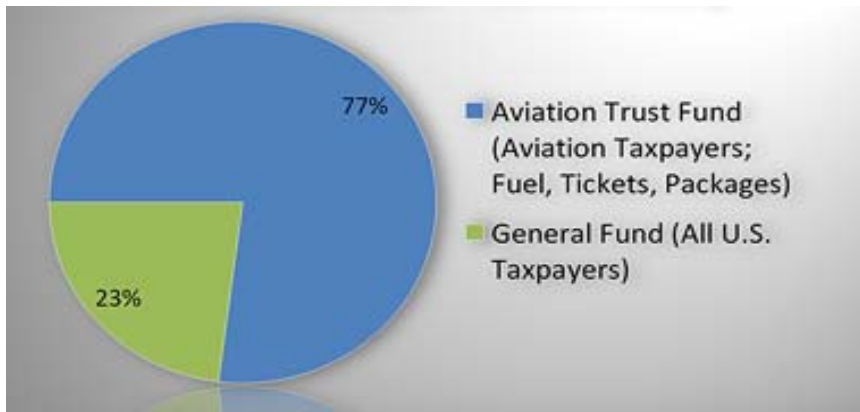
In Washington State, the Washington State Department of Transportation (WSDOT) Aviation Division provides funding for airport infrastructure projects through its Local Airport Aid Grant Program. WSDOT Aviation receives approximately 96% of its revenue from aircraft fuel tax, which is derived from non-commercial aviation.

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### Federal Revenue Sources

Everyone who uses the air transportation system pays taxes, which help to cover nearly 75% of the costs for developing and maintaining the nation's air transportation system. Included in this group are general aviation users, who pay taxes when they purchase aviation gasoline or jet fuel. Airline passengers pay a tax on the value of their ticket plus a small segment fee. People shipping packages pay a tax on the cost for shipping. These aviation taxes are deposited into the Aviation Trust Fund, and represent approximately 77% of total revenues of the fund. Transfers from the US General Fund provide the additional amounts.

Table 1: Federal Revenue Sources



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## Aviation Trust Fund Sources

Table 2: Aviation Trust Fund Sources

Aviation Trust Fund (FAA)	2008 Tax Rates
Passenger Ticket tax (domestic)	7.5%
Flight Segment Tax (domestic )	\$3.50
Frequent Flyer Tax	7.5%
International Departure Tax	\$15.40
International Arrival Tax	\$15.40
Cargo Waybill Tax (domestic)	6.25%
Commercial Jet Fuel Tax (domestic)	4.3 cents
Noncommercial Jet Fuel Tax (domestic)	21.8 cents
Noncommercial AvGas Tax (domestic)	19.3 cents

Source: FAA

## Aviation Trust Fund Receipts from Excise Taxes

(in millions of dollars)

Table 3: Aviation Trust Fund Receipts

	FY2004	FY2005	FY2006	FY2007	FY2008
Transportation of Persons by Air	6,356	7,061	7,423	7,795	8,191
Transportation of Property	499	461	479	586	624
Use of International Air Facilities	1,391	1,922	1,994	2,091	2,193
Aviation Fuel Commercial Use	712	354	44	498	512
Aviation Fuel (Other Than Gas)		478	640	307	338
Aviation Gasoline		38	10	39	40
Frequent Flyer/Rural Airport	216				
<b>Trust Fund Receipts from Excise Taxes</b>	<b>9,390</b>	<b>10,314</b>	<b>10,590</b>	<b>11,316</b>	<b>11,898</b>
Interest Revenue	477	429	495	495	478
<b>Total</b>	<b>9,867</b>	<b>10,743</b>	<b>11,085</b>	<b>11,811</b>	<b>12,376</b>

Source: FAA Administers Fact Book 2005-2008

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**FAA Fiscal Year 2005-2009 Budget**

(in millions of dollars)

Table 4: FAA 2005-2009 Budget

	<b>FY2004</b>	<b>FY2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY2009</b>
Operations	7,479	7,707	8,104	8,374	8,740	
Facilities	2,871	2,525	2,555	2,518	2,514	
Safety & Equipment						2,052
Air Traffic Organization						9,670
Research, Engineering & Development	119	130	137	130	147	171
Grants-Aid for Airports	3,380	3,472	3,515	3,515	3,515	2,750
Airports Grants (Hurricane Relief)		25				
<b>FAA Total</b>	<b>13,849</b>	<b>13,859</b>	<b>14,311</b>	<b>14,537</b>	<b>14,916</b>	<b>14,643</b>

Source: FAA Budget in Brief Fiscal Years 2006-2009

**Passenger Facility Charges (PFCs)**

With congressional approval in 1990, commercial airports controlled by public agencies were allowed to impose passenger facility charges (PFCs). PFCs are collected via fees levied on airline tickets. Congress raised the cap to \$4.50 (\$18 per round trip) effective April 1, 2001. PFCs are federally authorized but levied by local airport operators, which set the fee level up to the maximum allowable amount.

Table 3: Passenger Facility Charge (PFC)

<b>Calendar Year</b>	<b>PFC</b>	<b>PFC (in dollars)</b>
2004	2,231,141,330	3.16
2005	2,447,660,596	3.32
2006	2,586,623,045	3.50
2007	2,806,097,619	4.50

Source: Air Transportation Association

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**Federal AIP Grant Funds Received for Washington State Airports**

(in millions of dollars)

Table 5: AIP Grants Received for Washington Airports

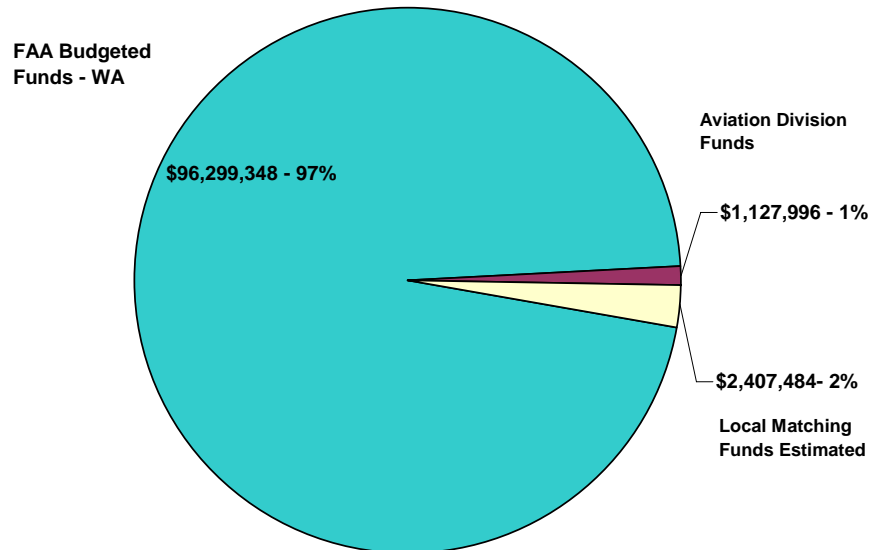
<b>Years</b>	<b>Cargo</b>	<b>Primary Entitlement</b>	<b>Primary Nonhub</b>	<b>State Apportionment</b>	<b>Discretionary</b>	<b>Total</b>
2003	\$2,213	\$13,084	\$12,400	\$6,280	\$79,078	\$113,055
2004	\$2,347	\$12,677	\$11,880	\$6,225	\$46,285	\$79,414
2005	\$2,280	\$14,970	\$11,877	\$5,727	\$54,272	\$89,126
2006	\$1,979	\$15,350	\$10,944	\$5,879	\$67,756	\$101,908
2007	\$2,207	\$15,035	\$9,267	\$5,324	\$60,139	\$91,972
2008	\$2,003	\$11,642	\$5,312	\$5,312	\$72,063	\$96,299

Source: FAA Airport District Office, NW Mt. Region

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## Federal AIP Grant Funds Received for Washington State Airports

FAA / State / Local - 2008 Projected Investment in Aviation



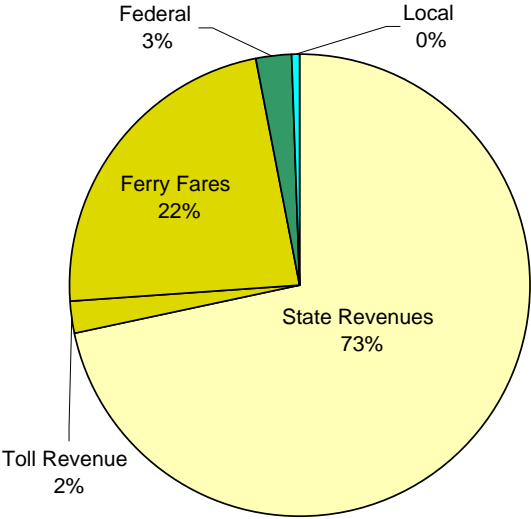
The FAA contributes significantly to Washington State's aviation system. In 2008, the FAA provided 97 percent of the funding for Washington airports. WSDOT provided 1 percent of the funding, and there was a 2 percent local match.

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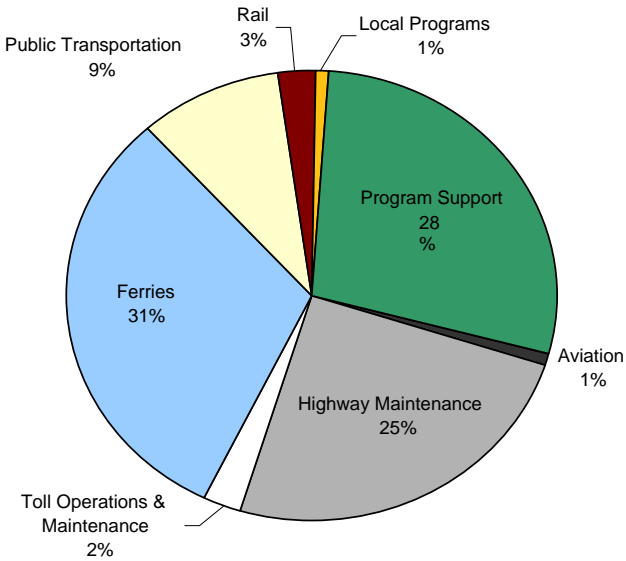
**Washington State Aviation Funding Sources**

**WSDOT 2007 – 2009 Operating Budget**

**Sources**



**Uses**



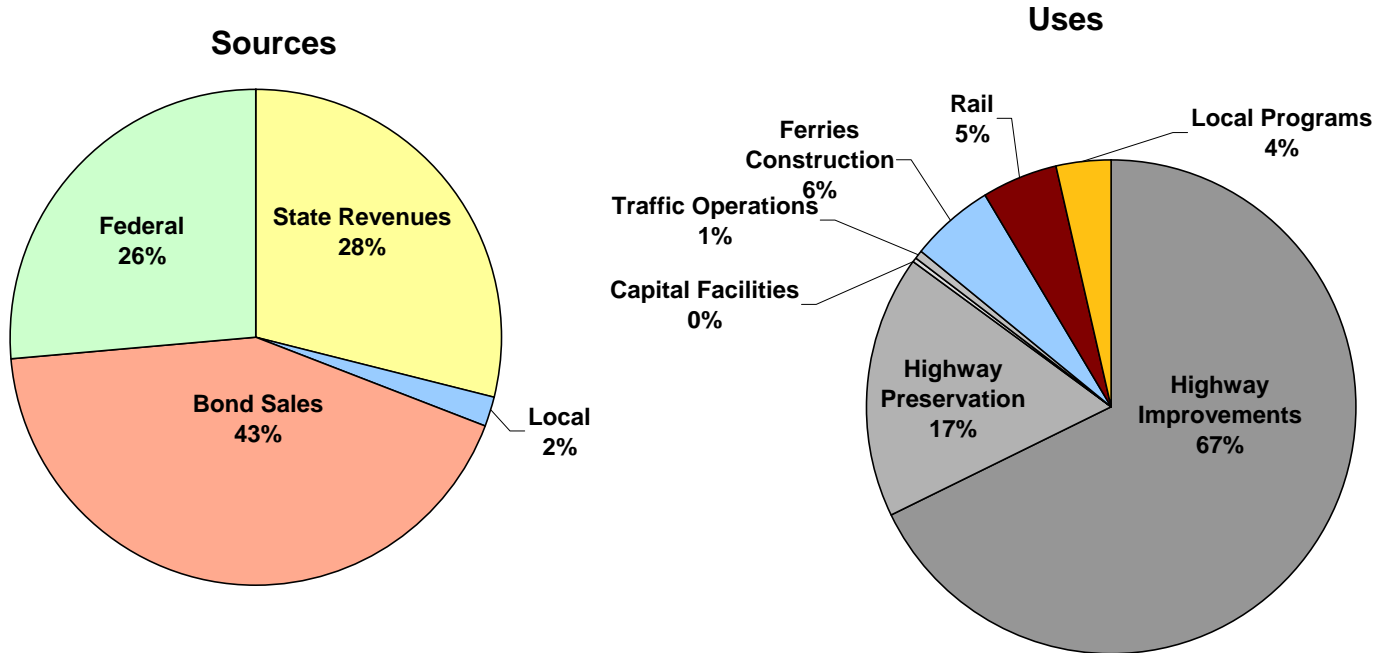
**WSDOT 07-09 Operating Budget Total: \$1.5 billion**

A significant portion of WSDOT’s budget is dedicated to the ferries, highways and program support. Aviation accounts for only 1 percent of the department’s total operating budget. This revenue is collected directly from users of the aviation system.

Source: WSDOT Headquarters

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**WSDOT 2007- 2009 Capital Budget**



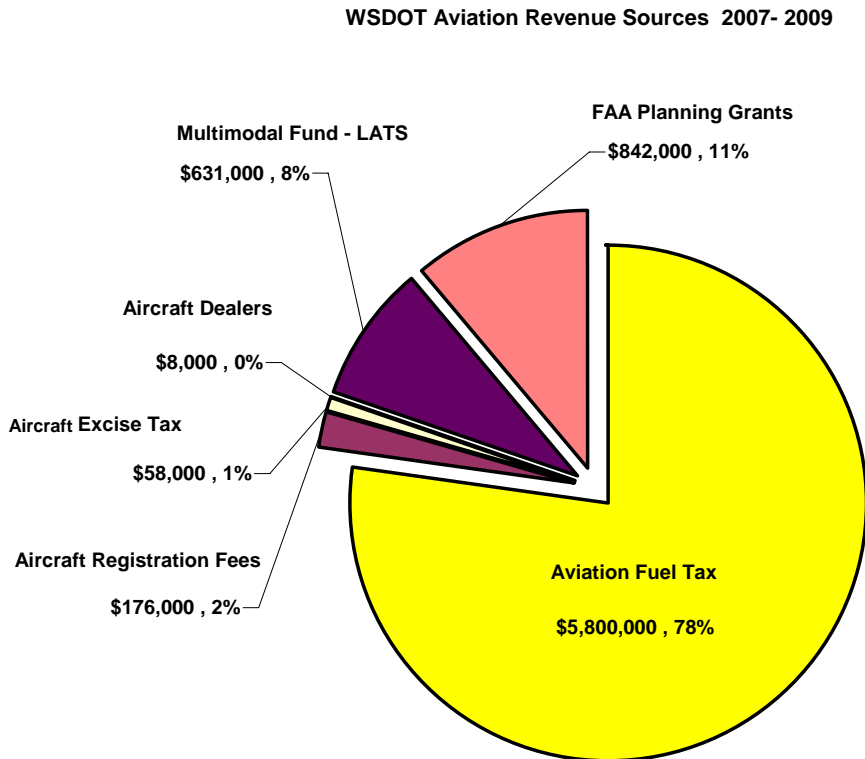
**WSDOT Capital Budget Total \$4.5 billion**

WSDOT’s capital budget is mostly funded through bond sales. Over 65 percent of the budget is dedicated to highway improvements. None of the capital budget is used for Aviation.

Source: WSDOT Headquarters

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## WSDOT Aviation Revenue Sources 2007 – 2009



*The above chart shows FAA Planning Grants and WSDOT Multimodal funding for LATS. These funds are not consistently available every year, in which case, the aviation fuel tax represents about 96 percent of WSDOT Aviation's revenue.*

### WSDOT Aviation 07-09 Revenue Total = \$7,515,000

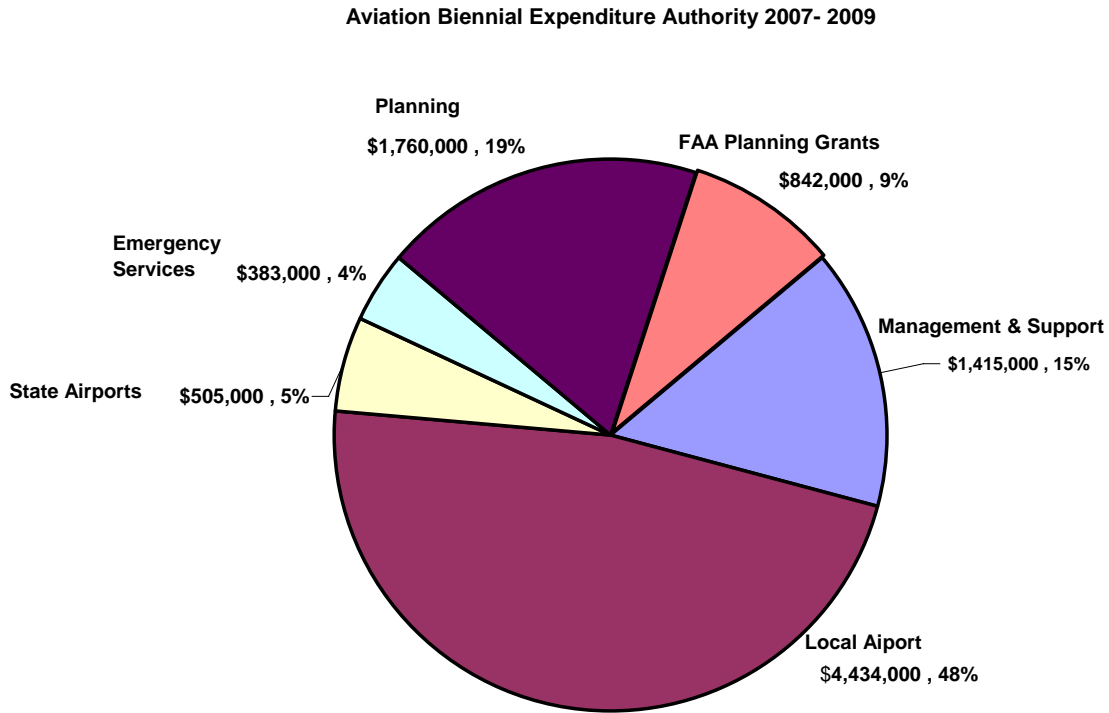
Ninety-six percent of WSDOT's Aviation revenue comes from an 11 cent tax on aviation fuel. The fuel tax is collected from general aviation and corporate users. All commercial aviation is exempt.

The Department of Licensing administers the 11 cent tax on each gallon of non-commercial aviation fuel, pursuant to Chapter 82.42RCW. This tax generates approximately \$2.5 million annually. Collections amounted to \$2,995,070 during fiscal year 2008.

WSDOT Aviation also receives revenues from aircraft registration fees (\$15 per aircraft), a per-aircraft excise tax of 10 percent, and aircraft dealer registration. Every year, WSDOT registers about 5,500 aircraft and generates about \$100,000 in revenues. About \$250,000 of aircraft registration revenues (90 percent of the excise tax) is deposited in to state's General Fund.

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### Aviation Division – Operating Budget 2007-2009



**WSDOT Aviation 07-09 Operating Budget Total = \$9,339,000**

Fifty percent of WSDOT Aviation’s operating budget is used for its Local Airport Aid Grant Program. Each biennium, WSDOT Aviation uses about \$2.5 million to fund statewide airport infrastructure projects.

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### Local Aid Grant Program

Table 6: Allocation of Local Airport Aid grants (see Appendix 1 for detailed project types)

Local Airport Aid Grants	Biennium		
	2003-2005	2005-2007	2007-2009
<b>Airports Awarded Grants</b>	74	66	78
<b>Projects</b>	104	82	144
<b>Pavement Projects</b>	\$1,849,459	\$1,565,472	\$1,482,257
<b>Safety Projects</b>	\$615,655	\$880,264	\$370,035
<b>Maintenance, Security &amp; Planning Projects</b>	\$341,085	\$782,098	\$610,407
<b>Total Airport Aid Grants</b>	<b>\$2,806,199</b>	<b>\$3,227,834</b>	<b>\$2,462,699</b>

### State Revenue from Aviation-Related Sources: 2007 - 2009

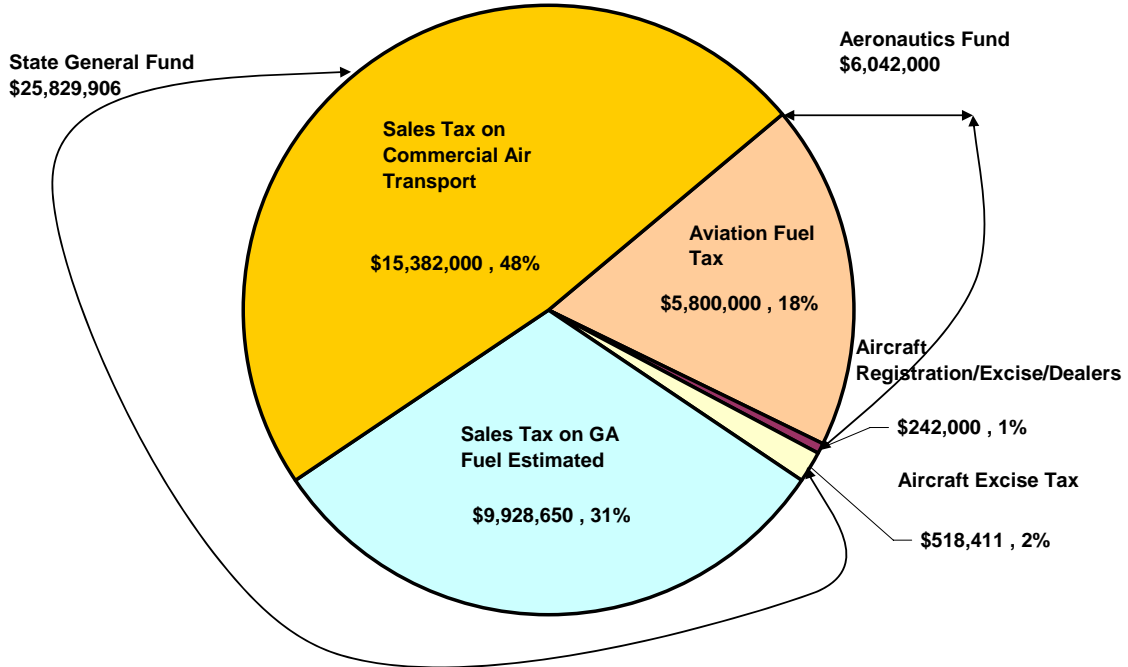
Table 7: State Revenue from Aviation Sources

Aeronautics Account	Forecast 2007-2009
Aviation Fuel Tax (11 cents per gallon)	\$5,800,000
Aircraft Registration/Excise/Dealer Fees	\$242,000
<b>Total – Aeronautics Account</b>	<b>\$6,042,000</b>
<b>State General Fund (estimated)</b>	
Annual Aircraft Registration Excise Tax - State	\$518,411
General Aviation Sales Tax from Aviation Fuel	\$9,928,650
Commercial Air Transport Sales Tax from Fuel	\$15,382,000
<b>Total – General Fund</b>	<b>\$25,829,061</b>
<b>Total Revenues Received from Aviation Sources</b>	<b>\$31,871,061</b>

Source: Department of Revenue

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**State Aviation-Related Revenue Sources 2007- 2009**



Approximately 81 percent of aviation-related revenues collected in Washington State are deposited into the General Fund

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## Exemptions

The following are exempt from paying the annual state aircraft registration fee:

1. An aircraft owned by and used exclusively in the service of any government or any political subdivision thereof, including the government of the United States, any state, territory, or possession of the United States, or the District of Columbia, which is not engaged in carrying persons or property for commercial purposes;
2. An aircraft registered under the laws of a foreign country;
3. An aircraft which is owned by a nonresident and registered in another state: **PROVIDED**, That if said aircraft shall remain in and/or be based in this state for a period of ninety days or longer it shall not be exempt under this section;
4. An aircraft engaged principally in commercial flying constituting an act of interstate or foreign commerce;
5. An aircraft owned by the commercial manufacturer thereof while being operated for test or experimental purposes, or for the purpose of training crews for purchasers of the aircraft;
6. An aircraft being held for sale, exchange, delivery, test, or demonstration purposes solely as stock in trade of an aircraft dealer licensed under Title 14 RCW;
7. An aircraft based within the state that is in an unairworthy condition, is not operated within the registration period, and has obtained a written exemption issued by the secretary.

The following are currently exempt from the payment of an excise tax on each gallon of aircraft fuel sold (RCW 82.42 020):

- 1) Aircraft fuel sold for export,
- 2) Aircraft fuel used for the following purposes:
  - (a) the operation of aircraft when such use is by any air carrier or supplemental air carrier operating under a certificate of public convenience and necessity under the provisions of the Federal Aviation Act of 1958, Public Law 85-726, as amended;
  - (b) the operation of aircraft for testing or experimental purposes;
  - (c) the operation of aircraft when such operation is for the training of crews in Washington state for purchasers of aircraft who are certified air carriers;
  - (d) the operation of aircraft in the operations of a local service commuter: **PROVIDED**, that the director's determination as to a particular activity for which aircraft fuel is used as being an exemption under this section, or otherwise, shall be final.

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### **Non Commercial Aviation Sales Tax**

It is estimated by the Department of Revenue (DOR) that a 6.5 percent state sales tax on non-commercial aviation generates approximately \$9.9 million, which is deposited into the General Fund.

Local sales taxes for non-commercial aviation range from a minimum of 0.5% to a maximum of 2.5%, depending upon the location of the sale. According to DOR, local taxes generate approximately \$3 million in revenues for local authorities.

### **Commercial Aviation**

Commercial air transport pays a use tax (same rate of a sales tax) on fuel consumed in Washington. There are complicated formulas the airlines use to determine this. These are based upon thrust (during takeoff, landing, taxiing) and time spent in Washington airspace. This is also collected by the DOR and deposited into the General Fund.

DOR has obtained the aggregate amount of use tax reported by these commercial carriers during Fiscal Year 2008. It amounts to \$15,382,000 for the 6.5 percent state tax. The equivalent local sales tax is approximately \$4,733,000, based on the average local rate of 2.0 percent.

### **Aviation Use Tax**

DOR collects a one-time use tax for aircraft purchased or brought into the state. DOR is currently researching the amount of revenue generated from aircraft use tax. This revenue is deposited into the state's General Fund.

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## **Conclusion**

Washington State relies on Federal Aviation Administration (FAA) funding to support about half of the state's aviation infrastructure needs. Federal aviation revenues are generated through aviation taxes on fuel, tickets and packages. These taxes provide approximately seventy-seven percent of Aviation Trust Fund revenues. Transfers from the US General Fund provide the balance.

The Washington State Department of Transportation (WSDOT) Aviation Division generates revenues for statewide airport infrastructure improvements. Over 96 percent of WSDOT Aviation's revenues from state taxes and fees come from an 11 cent fee on aviation fuel, which is collected by the state's Department of Licensing. Commercial aircraft are exempt from paying the aviation fuel tax. Other revenues are generated through annual aircraft registration fees (\$15 per aircraft), an excise tax, and aircraft dealer's licenses. WSDOT also receives FAA funding for planning and multimodal projects, though these funds are not consistently available every year.

WSDOT Aviation receives only about 19 percent of the total aviation-related revenues collected in the state. Remaining revenues, primarily from the state and local sales taxes, are deposited in the state general fund or distributed to local governments imposing the sales tax.

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## Appendix

### Appendix 1: 2003-2009 Airport Aid Contributions by Project Type by Year

2003-2009 Airport Aid Contributions by Project Type by Year						
Year	Applications	Total	Local	State	Federal	Other
2003	23					
12	Pavement	\$3,994,259.00	\$189,993.50	\$632,523.50	\$3,170,742.00	\$1,000.00
5	Safety	\$838,288.00	\$46,934.00	\$105,304.00	\$675,300.00	\$10,750.00
2	Maintenance	\$17,700.00	\$8,200.00	\$9,500.00	\$0.00	\$0.00
1	Security	\$42,500.00	\$37,500.00	\$5,000.00	\$0.00	\$0.00
2	Planning	\$282,108.00	\$14,104.00	\$14,104.00	\$253,900.00	\$0.00
3	Other	\$373,691.76	\$21,920.03	\$115,296.73	\$236,475.00	\$0.00
2004	41					
12	Pavement	\$3,955,701.00	\$232,782.00	\$873,007.00	\$2,849,912.00	\$0.00
5	Safety	\$563,173.16	\$23,809.01	\$31,998.15	\$507,366.00	\$0.00
2	Maintenance	\$42,500.00	\$37,500.00	\$5,000.00	\$0.00	\$0.00
13	Security	\$71,110.82	\$7,959.67	\$63,151.15	\$0.00	\$0.00
6	Planning	\$254,224.00	\$9,111.00	\$25,111.00	\$220,002.00	\$0.00
3	Other	\$545,580.00	\$15,735.50	\$33,060.50	\$496,784.00	\$0.00
2005	56					
15	Pavement	\$4,944,479.05	\$893,751.28	\$957,851.27	\$3,092,876.50	\$0.00
17	Safety	\$3,450,424.00	\$425,089.25	\$519,490.25	\$2,434,864.50	\$70,980.00
9	Maintenance	106,748.16	18,650.66	88,097.50	0.00	0.00
7	Security	\$138,200.00	\$15,990.00	\$122,210.00	\$0.00	\$0.00
6	Planning	174,108.08	8,956.15	164,651.93	0.00	500.00
2	Other	47,300.00	11,565.00	35,735.00	0.00	0.00
2006	49					
18	Pavement	\$10,422,879.89	\$320,792.39	\$768,134.50	\$9,333,953.00	\$0.00
9	Safety	\$1,625,459.00	\$47,494.50	\$419,994.50	\$1,155,770.00	\$2,200.00
10	Maintenance	\$849,680.99	\$280,155.63	\$318,763.58	\$250,761.78	\$0.00
1	Security	\$2,600.00	\$300.00	\$2,300.00	\$0.00	\$0.00
10	Planning	\$325,134.96	\$18,657.25	\$306,477.71	\$0.00	\$0.00
1	Other	\$141,000.00	\$3,525.00	\$3,525.00	\$133,950.00	\$0.00
2007	107					
38	Pavement	\$7,301,837.22	\$264,253.63	\$721,411.62	\$6,314,921.97	\$1,250.00
31	Safety	\$874,896.43	\$31,542.29	\$302,655.14	\$534,399.00	\$6,300.00
2	Maintenance	\$11,517.00	\$1,064.10	\$10,217.90	\$0.00	\$235.00
21	Security	\$105,212.03	\$26,462.03	\$74,000.00	\$0.00	\$4,750.00
11	Planning	\$656,938.50	\$33,260.59	\$338,465.58	\$285,212.33	\$0.00
	Other					
2008	56					
22	Pavement	\$16,381,763.16	\$757,188.21	\$781,030.21	\$14,843,544.74	\$0.00
15	Safety	\$2,001,657.18	\$119,141.11	\$197,840.93	\$1,682,675.14	\$2,000.00
3	Maintenance	\$31,052.63	\$1,802.63	\$29,250.00	\$0.00	\$0.00
12	Security	\$66,368.44	\$6,368.44	\$60,000.00	\$0.00	\$0.00
4	Planning	\$320,250.00	\$17,875.00	\$59,875.00	\$242,500.00	\$0.00
	Other					
Total		\$42,159,251.05	\$3,047,058.46	\$7,067,037.51	\$31,947,190.08	\$97,965.00