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New York Aviation Management Association (NYAMA)
Joint Legislative Public Hearing on the 2013-2014 Executive Budget--
Transportation
by Ann Crook, NYAMA President

Good afternoon Chairman DeFrancisco, Chairman Farrell and Members of the Joint Legislative Committee. I am Ann Crook, President of the New York Aviation Management Association (NYAMA).

NYAMA represents over 75 commercial service and general aviation airports, fixed based operators, consultants, engineers and other aviation industries and professionals who believe that serious economic development efforts at the state and regional level necessitate strong public investment in our aviation assets and facilities. NYAMA respectfully submits this testimony to be considered as you review the 2013-2014 Executive Budget.

The Importance of Airports and the Aviation Industry to New York State

Airports are economic engines fueling growth in the communities they serve. According to a recently-released study by the State Department of Transportation, the aviation industry contributes over \$50 billion to annual economic activity in New York State. Almost 400,000 state residents work in aviation or aviation-related industries. The economic benefits of New York State airports are impressive. As a whole, aviation generates \$18 billion in payroll and \$4.5 billion in state and local tax revenue annually. However, the efficacy of this powerful economic engine and its benefits to New York's citizens is jeopardized by a critical lack of infrastructure investment, competition from other states, and a sagging state and national economy.

In releasing the study "New York State Economic Impacts of Aviation," State Department of Transportation Commissioner Joan McDonald reported that infrastructure and security investments in the aviation sector, specifically at public-use airports, help generate billions of dollars in economic activity in New York. The study looked at economic activity, jobs, and taxes generated by the aviation sector, and demonstrated the importance of the overall aviation system in the state. Commissioner McDonald asserted:

"Continued strategic investments in New York State's aviation industry will help rebuild the economy by attracting and retaining businesses that depend on aviation for shipping and receiving goods, while also providing business and recreational travelers with safe, fast and reliable service."

No New State Funding For Airport Projects Since 2009-2010

Tremendous gains were made in addressing the most critical needs for airport improvement in New York through the New York State Transportation Bond Act and

investment in the AIR '99 Program. The AIR '99 Program has provided valuable financial assistance for vital infrastructure at airports across New York, funding aircraft hangars, repair of existing facilities, safety enhancements, and other important projects.

However, the Bond Act funding, which providing approximately \$15 million per year for the Air '99 program, ended with the last scheduled appropriation in the 2009-2010 State Budget. Since then, the Transportation budgets have had **no new funding for airports** to make up for the lost Bond Act funding.

Unfortunately, the 2013-2014 Executive Budget perpetuates this deficiency.

Federal Airport Improvement Program Funding in Jeopardy

The Executive Budget includes an annual \$4 million appropriation (down from \$8 million a few years ago) for the state match for projects under the federal Airport Improvement Program (AIP). The State DOT has submitted to the New York Works Task Force a proposed two-year transportation capital plan for the years 2013-2014 and 2014-2015 that seeks to double the fund match available for the non-federal share of the FAA Airport Improvement Program (AIP) grants to New York airports. This is in response to newly-enacted reductions in the federal share from 95 percent to 90 percent of total project costs.

The Executive Budget rejects that recommendation, threatening the loss of federal funds available for important New York airport enhancement projects under the AIP program.

The Financial Needs of New York's Airports are Well-Documented

Based on analysis of FAA-approved documents—such as Airport Capital Improvement Plans, Airport Master Plans and Airport Layout Plans—the State Department of Transportation has estimated the total needs for the 20-year period between 2010 and 2030 to be \$4.3 billion. This investment will be necessary to preserve the system and allow airports to attract passenger, cargo, and general aviation services. On average, this needed analysis urges a state funding level of \$20-\$30 million per year to maintain aviation services and preserve core programs.

Considering aviation contributes \$4.5 billion in state and local tax revenue annually--about \$10-\$13 million of this amount is estimated to be from aviation fuel taxes—it is only fair that airports see a portion of this revenue return in the form of state-assisted economic and business capital development projects.

The lack of a permanent and dedicated source of state funding for aviation in the budget in the face of growing infrastructure needs for airports is frustrating. Much of the airport infrastructure remains or is becoming ill-suited to help spur economic activity and retain and attract commercial carriers to New York regional airports.

As you are aware, many Upstate airports are constantly seeking to preserve access to commercial service and connections to major cities. Over the last ten years, these smaller airports have seen their enplanements (passenger boardings) decrease at a slow but relatively constant rate. General aviation airports that do not have scheduled airline service play a key role in regional business and rely even more on state funding for revenue-producing projects like hangars and fuel farms. Many of these aviation facilities face a daily struggle just to continue.

The cost of addressing the growing needs of the transportation system seems great, but it will only increase if we delay action. New York State must invest now in effective aviation infrastructure programs or face much higher, perhaps prohibitive, future costs when decay has made the challenges far worse.

New York needs to recognize the importance of airports and aviation to its economic development efforts. NYAMA is therefore urging the Legislature to work with Governor Cuomo to establish a significant, reliable and permanent aviation funding program.

The New York Works Fund

One way to address the need to invest in airports is to ensure a portion of the New York Works funding—over \$300 million in new financial resources—will provide capital investment to maintain, repair and replace critical highway, bridge and other transportation infrastructure to prolong the useful life of these assets. Funded components include \$200 million for core infrastructure improvements and \$100 million for all modes of transportation infrastructure to be awarded competitively through the Regional Economic Development Councils.

NYAMA is urging the governor and legislators to ensure that a portion of this funding is set aside for increasing the AIP appropriation to \$8 million to reflect the federal reimbursement changes, and to begin an airport facilities and business development re-funding effort to address the capital needs of the state's airports as identified by the DOT. These funds will promote economic development and job creation among the state's airport communities and for all of New York. NYAMA is seeking \$15 million of the New York Works funding—equal to that of the previous Bond Act funding—to be dedicated to these purposes.

DOT Calls for Airport Market Expansion Strategies

Another way in which the legislature can help New York airports attract investments necessary to develop aviation assets and contribute to the state's economic development and job creation efforts—at no net cost to the state—is to enact the Aviation Jobs Act.

The DOT Economic Impacts of Aviation report calls for enacting incentives to attract corporate aviation activity to the state's airports. According to DOT, corporate aviation generates a considerable share of revenues at general aviation airports, relative to smaller GA airports. As such, attracting more business and corporate aviation to airports is key to increasing airport revenue and generating jobs.

When the employment impacts, fuel sales, and hangar lease aspects of the operation are included, there is a significant potential revenue impact of attracting corporate aircraft to an airport. DOT found that, based on the aircraft type, usage and the sophistication of corporate flight departments' operations, direct revenue provides up to five on-airport jobs and approximately \$1 million in annual economic activity.

Enact the Aviation Jobs Act

New York is bleeding economic-stimulating and job-creating business jets that are finding new homes in neighboring states. Our State has lost nearly 700 of these income-generating aviation assets since 2002 as a result of more favorable tax treatment and aggressive marketing and airport-development strategies undertaken by other states in our region.

For example, promotional materials in the State of Connecticut boast that, "Connecticut continues to support aviation by offering the best tax advantages in the tri-state area." Connecticut gained 31 planes since 2002. A key initiative NYAMA is pursuing is the "Aviation Jobs Act", which has passed the Senate over several years and is prime-sponsored in the Assembly by Assemblywoman Donna Lupardo, along with a significant number of bi-partisan co-sponsors.

The Aviation Jobs Act seeks to reform the sales tax treatment of general aviation in New York. In 2004, NYAMA successfully advocated for sales tax relief for the maintenance and repair of general aviation aircraft. Data from the New York Tax Department indicates that the exemption has been a tremendous success, resulting in an expansion of aviation maintenance and repair businesses, jobs, and tax revenue here in New York. A subsequent closer look at FAA data reveals an increase of 23 such repair entities and the creation of 686 new aviation-related permanent jobs in New York since the enactment of this tax reform.

We now hope that, through the Aviation Jobs Act, we can extend the job stimulus effort to include the purchase of aircraft. This tax law change is critical. The savings that can be realized across state borders has drawn businesses and based aircraft away from New York State, along with the associated jobs and related business activity connected with the aircraft. New York must enact the Aviation Jobs Act to reverse this economically-destructive situation where we are exporting income and job-producing aviation assets to neighboring states.

NYAMA and its members across New York State strongly support your efforts to ensure that New York pursues policies that are pro-growth and pro-job creation in these difficult fiscal times. NYAMA has suggested today several policy changes to do just that. Our Board of Directors and members stand ready to assist you and respond to any questions or requests for additional information you may have.

Thank you.

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