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New York Aviation Management Association (NYAMA)
Joint Legislative Public Hearings on the Executive Budget Proposal
2016-2017 State Budget—Transportation

by Jeremy P. Martelle, ACE, NYAMA President

Thank you Chairwoman Young, Chairman Farrell and members of the Committees. I am Jeremy Martelle, President of the New York Aviation Management Association (NYAMA). NYAMA appreciates this opportunity to testify on the 2016-2017 Executive Budget proposal as it relates to the support of airports.

NYAMA represents over 13,000 members and affiliate members, 120 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 necessitates strong public investment in our aviation assets and facilities.

I would like to take this moment to thank you and all the members of the legislature for enacting significant aviation tax reform last year as part of the final budget. This action to restore our competitiveness with our neighboring states is already yielding tangible results, as a number of airports have reported increased business developments and business jet locations at their facilities.

Airports are economic engines fueling growth in the communities they serve. According to the New York State Department of Transportation's Aviation Bureau, the aviation industry contributes over \$50 billion in annual economic activity in New York State and 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. This powerful economic engine and its benefits to New York's citizens are restrained by a critical lack of state infrastructure investment, competition from other states, and sluggish state and national economies.

The State Aviation Capital Grant Program

The state's airport capital program for fiscal years 2010 through 2013 included no capital improvement funding. This period with no funding followed five years where the airport capital program was funded at a level of \$15M-\$17M per year. It was only starting with the 2013-2014 budget that the State Aviation Capital Grant Program (formally the AIR99' program) began being funded at a level of less than \$10M annually.

While this reduced funding level has provided some valuable financial assistance for vital infrastructure projects at airports across New York (e.g. funding airport security improvements, repair of existing facilities, safety enhancements, etc.) it represents about half of the traditional budget allocation which had been set aside during previous years. Additionally, over 130 public-use airports across the state compete for a portion of this lower level of funding creating large gaps in much needed infrastructure funding.

The Executive Budget continues underfunding the capital grant program at this level for the fourth consecutive year.

The Airport Improvement Program Funding Transfer

The funding level in the State Aviation Capital Grant Program is further eroded due to the underfunding of the state matching program (AIP) for federal airport capital improvement dollars.

The Federal Aviation Administration's Airport Capital Improvement Program typically funded 95 percent of all eligible projects. Recently, a change in the program now provides only 90 percent federal funding under the Airport Improvement Program to most airports instead of the 95 percent as in previous years. What this has done is doubled the required state portion of the total grant. The federal funding that is received by New York airports varies but it is typically between \$80-\$100 million annually. Based on experience and recent program data, it is anticipated that the \$4 million budget allocation by the state to cover its share of federally-funded airport projects will likely be insufficient and will be far short of what will be needed. This creates an uncertainty that all available federal funding will be utilized by New York going forward. New York can ill afford to jeopardize receiving any of these federal funds and seeing them diverted to neighboring states that compete directly with New York airports.

In the last three fiscal years, an additional \$1M-\$3M has been necessary to meet the state share match. Regrettably, this AIP funding shortfall has been made up by reducing the scarce capital funds available through the State Aviation Capital Grant Program. Unless AIP is fully funded, this funding gap in AIP is expected to continue next year and beyond, siphoning millions of scarce dollars from an already financially-marginalized state airport capital funding program.

NYAMA urges the Legislature to fully fund the airport improvement program match at a minimum of \$6 million in the next FY budget. This will ensure that the full amount of airport capital improvement funding appropriated to the State Aviation Capital Grant Program can be used for the important purposes of that program and not to make up the shortfall in the AIP match program.

Investment Needed in All New York Airports

Perhaps the most significant aviation initiative in the Executive Budget is the Upstate airport initiative.

Last year, Governor Cuomo unveiled a comprehensive plan to modernize and revitalize LaGuardia, John F. Kennedy International, Republic and Stewart International Airports – bringing them up to 21st Century standards for service, access and amenities. The plan includes a massive investment in these downstate airports.

NYAMA believes that other airports in the state should be considered for targeted investments as has been proposed for the downstate airports. New York has a significant interest in the continued vitality of general aviation and community airports. Business aviation is a critical tool for companies in New York to conduct business, improve operational efficiency, save money, and open up opportunities for areas not served by commercial aviation. The success of business aviation will encourage new business opportunities and continued investment by companies as well as bringing much needed jobs to all areas of the State.

This is why NYAMA is pleased that the Executive Budget attempts to address this need. The Governor is proposing \$200M for an Upstate Airport Economic Development and Revitalization Competition to accelerate investments in commercial passenger and cargo service airports resulting in the creation of jobs and stimulating economic development. The State will award five airports approximately \$40 million each. Grants will fund projects that enhance safety, improve operations and access, reduce environmental impacts, create better passenger experiences and leverage private investments.

Although welcomed, NYAMA is concerned that many of the over 120 airports we represent will not have a legitimate opportunity to fairly compete for this funding; and we await additional details on the rules of this competition. NYAMA is anxious to work with you and the Governor to assure that this significant infrastructure funding reaches airports that establish the need for support, enhances aviation business development, creates new and permanent jobs and improves the state's economy as a whole.

As you are aware, many upstate airports are constantly seeking to preserve access to commercial service and connections to major cities across the state and nation. Over the last ten years, these smaller airports have seen their passenger boardings decreasing at a slow, but relatively constant rate. General aviation airports with no scheduled airline service play a key role in regional business and rely more heavily on state funding for revenue producing projects like hangars and fuel farms. Many of these aviation facilities face a daily struggle just to continue.

For example, in 2014 the NYSDOT received a total of nearly \$30 million in funding requests by 73 airports for critical projects. Out of the 73 airports only 26 were awarded a total of \$9 million under the State Aviation Capital Grant Program. This demonstrates the huge gap between what is required for airport development projects and what is ultimately available through the state budget. As a result of the small number of projects funded under the program, we know the number of funding applications submitted is artificially small. Many airports cannot devote scarce resources to design and engineer projects and go through the expense of the application process if there is little chance that they will be awarded due to the lack of significant program funding.

Capital Needs of Airports Well Documented

Based on the analysis of FAA-approved documents such as Airport Capital Improvement Plans, Airport Master Plans and Airport Layout Plans, the NYS Department of Transportation (NYSDOT) has estimated that the state will need \$4.3 billion to support its aviation goals for the 20-year period between 2010 and 2030—an average of \$215 million per year. This investment is necessary to properly maintain the system and allow airports to attract passenger, cargo, and general aviation services, therefore supporting the governor's economic development goals. Although the federal Airport Improvement Program grants provide some level of funding, they average a total of less than \$100

million per year and are limited to certain types of projects with a large allocation traditionally going to the two PANYNJ airports. Ultimately, this leaves us with an enormous funding shortfall for airport development needs statewide.

Consequently, in order to meet the ongoing critical needs of airport infrastructure improvements and development and to address these growing needs going forward, NYAMA is seeking State Aviation Capital Grant Program funding of \$200 million (\$40 million per year) over the next five years. We are also calling for a fully funded state AIP program at a level to match historical federal funding under the FAA Airport Improvement Program without the need to divert funds from the State Aviation Capital Grant Program. We believe a projected state budget surplus heading into the next fiscal year and a call by many for parity between the NYSDOT and MTA capital plans will help make this level of funding possible.

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

State Aviation Tax Conformity with FAA Ruling

The long-standing policy on federal requirements for the use of proceeds from taxes on aviation fuel was recently clarified by the FAA. The FAA rule mandates that all aviation fuel tax revenue collected by states or local units of government (by either an airport sponsor or a non-sponsor) must be spent on airports or for aviation related programs.

The Governor's Executive Budget (Part Z of the Revenue Bill) proposes to address the FAA fuel tax clarification that such fuel tax revenues generated at airports go for aviation purposes. The budget proposal also appears to exclude sales of fuel for use in commercial and general aviation aircraft from local sales taxes and from the prepayment of sales tax on motor fuels. Because of the complex nature of this issue and the questions it raises about the financial impacts on airports, NYAMA is seeking more details in order to formulate an informed recommendation on this provision.

Conclusion

NYAMA and its members across New York State support your efforts to ensure that the State pursues policies that are pro growth and pro job creation. Strong state investment in our airports is one of these winning strategies.

We look forward to continuing to work with you and all our state elected officials to enhance our airports and aviation assets in ways that create new jobs, increase economic development and improve airport services so that all regions of New York can compete effectively with other states for business aviation and scheduled commercial service for the benefit of all New York's citizens.

Thank you.

January 20, 2016