

RESOLUTION

R-04-33 **B**

SUPPORTING LEGISLATION TO STABILIZE FUNDING FOR THE STATE AVIATION DIVISION

Whereas, county governments depend on Federal Aviation Administration funding of airport improvement projects; and

Whereas, the amount of grants available to the County governments also depend on the budget amount the State Aviation Division has to match as a percentage of the Federal monies; and

Whereas, the State Aviation Division income varies annually based on changing tax revenue on fuel, aircraft registration, and requests to the New Mexico Transportation Commission from the NMDOT Road Fund; and

Whereas, with a stable source of income that could be counted on and budgeted for every year, the Division would be able to better forecast and to leverage more projects for the entire state; and

Whereas, revenues of \$5 million derived from the estimated \$49 million in gross receipts tax generated from aviation businesses alone could more than double the ability of the Aviation Division to leverage FAA grants at 95%, from the current \$20 million per year to approximately \$40 million; and

Whereas, the increase in Federal projects in county governments would generate jobs, gross receipts tax, improve airports, and promote economic development by attracting industry to county's with viable and well maintained airports, and

Whereas, other states in the FAA Southwest Region receive from 50 to 300% more in Federal Airport Improvement Grants than does New Mexico due to the amount of revenue the aviation division in these other states receives.

THEREFORE, BE IT RESOLVED by the Grant County Commission that it strongly supports legislation to stabilize the State Aviation Division revenue to five (5) million annually to obtain increased FAA funding for airport projects.


DONE this 9th day of December 2004


Joe Afellano, Commissioner District 1


Charles Kelly, Commissioner District 2


Henry Torres, Commissioner District 3

Attest:


Mary Ann Sedillo, County Clerk By: *mc*

RESOLUTION

A RESOLUTION SUPPORTING LEGISLATION TO STABILIZE FUNDING FOR THE STATE AVIATION DIVISION OF THE NEW MEXICO DEPARTMENT OF TRANSPORTATION.

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County Grant, NEW MEXICO

By:

AFFECT OF INCREASED AVIATION GRANT FUNDING

AIRPORT PROJECTS:

How are they funded?

1.) **FAA Airport Improvement Projects (A.I.P.)**

90% FAA (always),
5% State (less affluent entities may have an increased percentage)
5% Entity .

2.) **State Assisted Grants (Non- Federal A.I.P.)**

Entities are able to apply for matching grant funding for projects, equipment, and supplies for airport operation. Most of these are either smaller projects or ones that are ineligible for FAA funding due to the type or classification of the request. The percentage of participation by the entity varies based on the financial standing of the entity. This program is essential for maintenance, equipment, and supplies not eligible for FAA grants but is critical for the continual operation of the airport.

3.) **Entity Funded**

Projects funded solely by the Entity are usually small in nature or are done by larger communities that are able to float bonds or large budgets (ie Albuquerque Sunport).

PRESENT STATE AVIATION DIVISION FINANCE

Income:

The State Aviation Division income varies with approximately 2.2 million comes from the following:

\$ 600,000*	Gasoline tax on Avgas
300,000*	GRT Jet A
65,000	Aircraft Registration
1,235,000*	NMDOT Road Fund (Used to leverage A.I.P. funds)

* Reduced funding is expected due to One: Past legislation excepting an additional 15% on Jet Fuel, Two; Less Avgas sold due to decline in flying, and Three; Higher cost in auto fuel has lead to the decline in gas tax.

Expense:

The State Aviation Division expenditures are as follows:

\$ 800,000	Overhead (rent, salaries, fees, etc)
200,000	Non-A.I.P. grants (50/50% match)
1,200,000*	Leverage on Federal A.I.P. grants

* For the past seven years, the Division has been able to leverage federal funds for projects of an average of about \$20 million per year.

WHAT ARE THE BENEFITS OF INCREASED FUNDING?

With a stable source of income that could be counted on and budgeted for every year, the Division would be able to leverage more projects for the entire state.

What if it was raised to \$5 million per year, from \$2.2 million?

\$ 900,000	Overhead Est. (rent, salaries, fees, etc)
1,000,000	Non-A.I.P. grants (50/50%)
3,100,000*	Leverage on Federal A.I.P. grants (90/10%)

- Having about \$2 million more to leverage federal AIP funds would amount to around \$40 million from the current \$20 million per year. (The foregoing example is not \$60 million because it supposes that the state would be able to pay all of the non-federal 10% and save the communities their share, which is now 5%).

COMPARISON OF OTHER STATES

Other states in the southwest region with similar number of general aviation airports:

STATE	AIRPORTS (NPIAS*)	STATE FUNDING (MILLIONS)	FAA FUNDING 2002	FAA FUNDING 2003
Louisiana	55	6.3	62.4	35.1
Arkansas	74	8.0	39.9	24.6
New Mexico	50	2.2	21.0	16.2

FY 2003 grants were less due to the congressional delay in funding the program.

* NPIAS are airports in the Southwest Region designated in the National Plan of Integrated Airport System. Information from FAA Annual Reports for FY 02 & 03.

HOW DID LOUISIANA DO IT?

Unable to determine the amount of gross receipts tax generated from aviation sales, a survey was done and a portion of the tax receipts (5 million) was initially used to fund the Aviation Division. It has now been raised to 6.3 million that generates over 55 million in projects. The State of Louisiana also contributes the full 10% match of the A.I.P grant saving the local government the 5%.

Although funding is three times that of New Mexico, a movement has begun to increase the funding level in an effort to obtain even more FAA funding.

WHAT IS THE ECONOMIC IMPACT ON THE ENTITY OR STATE?

Community has 5% more money
State receives more gross receipts tax
The rollover of the dollar on the construction project
Improved airport
More jobs

What has the biggest affect of Economic Development on an Entity?

4 four lane highway	NO	name the communities
Rail Road	NO	name the communities

Airport	YES	Albuquerque, Farmington
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What is one of the top priorities of Governor Richardson?

How can we improve air service in the State?

SUMMARY

This is not a ploy to increase one State Division budget. It is a movement to put New Mexico back in the economic race and get the airports around the state viable for the future. The airports in New Mexico have been funded below a reasonable level for over twenty-five years. The consequences have been inadequate air service and the stagnant economic development of the majority of communities in comparison of other states.

In the near future air cargo and point to point air travel will have a positive impact on most small western communities. Without adequate airports New Mexico will remain the same even with the effort of the last legislation that created an open market to develop industry in the State.

It is imperative that airports within the State improve or we LOSE.

OTHER FACTS:

In New Mexico, an airport project generally makes money for a community because while they pay 5% for a project, they get back an average of about 7 to 8% of the total project costs. This is because they get their share of the Gross Receipts Tax that is paid on the project (about 3%) plus the benefits that come from having money in circulation in their community from contractors and their employees staying, eating and spending money in the community.

The jet fuel tax has been about \$300 K until HB 52 was passed this year. It has not been determined what negative affect HB 62 will have on the Division. There is a preliminary figure that indicates it will result in a loss of around \$60,000 next year.

Air Service Assistance Program, which was about \$600 K for FY 2003, but is expected to grow slightly each year, provides money for the encouragement and development of rural air service in the state and is not used for any other purpose. A small number of entities are able to participate due to the amount of match required. Changes in the program are needed to help in marketing air service.

Revenues sources are in a period of reduction. The jet fuel tax has been reduced by the legislature by 15%. While they did try to keep the Division whole by slightly raising the tax rate, the net difference is expected to be less income by \$60 K for the next year (FY 04). The Avgas tax is expected to go down because the public are flying less and buying less fuel. There is no way to determine the magnitude of this impact. Similarly, the Road Fund is losing money because fewer people are driving and cars are becoming more efficient, so less gasoline is being sold and hence taxed in the state. As NMDOT is feeling a pinch, it will look to all areas including the Division to reduce its expenditures.

An additional benefit of having stable funding at the \$5 million level would be the possibility of applying to the FAA to be a "block grant" state. Under this program the State would receive AIP funds directly into the Division and would be able to determine how the funding would be spent, instead of having the FAA determine which projects were approved and how the projects could be scheduled. Where now funding received is around one or two million dollars per year in federal discretionary funds, with a stable budget the State could request more from the discretionary allocation. (For instance, in FY 2002, New Mexico only got \$1.8 million in discretionary funds, while Arkansas received \$22.4, Louisiana \$34.2 mil, Oklahoma \$15.4, and Texas \$81.9 which is a block grant state).

Last years study done by Wilbur Smith & Associates indicated that over \$17 million in gross receipts taxes were derived by businesses on airports only. A four year old study done by NMSU showed over \$49 million GRT for all aviation related sales.

Facts and figures obtained from the FAA Southwest Region Annual Report and the New Mexico State Aviation Division.