



NEW YORK

Aviation Management Association

NYAMA

136 Everett Road, Albany, NY 12205; (518) 432-9973; www.nyama.com

New York Aviation Management Association (NYAMA)
Joint Legislative Public Hearing on the 2012-2013 Executive Budget--
Transportation
by Chad Nixon, NYAMA President

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

NYAMA represents over 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 necessitate strong public investment in our aviation assets and facilities. NYAMA respectfully submits this testimony to be considered as you review the 2012 Executive Budget.

The Importance of Airports and the Aviation Industry to NYS

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 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. However, the efficacy of this powerful economic engine and its benefits to New York's citizens is threatened 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, helped generate billions of dollars in economic activity in New York State in 2009. The study looked at economic activity, jobs and taxes generated by the aviation sector and indicated the importance of the overall aviation system in a 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."

Tremendous gains have been made in addressing the most critical of needs for airport improvement in New York State 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, providing approximately \$15 million per year for the Air '99 program ended with the last scheduled appropriation in the 2009-2010 State Budget. The current Two-Year Capital plan has **no new funding for airports** to make up for the lost Bond Act funding.

Unfortunately, the 2012-2013 Executive Budget continues the disturbing trend of providing reduced state support for airports.

The Financial Needs of NY'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 needs analysis urges a state funding level of \$20-\$30 million per year to maintain aviation service and preserve core program.

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 go back to aviation in the form of state assisted economic and business capital development projects at airports.

Aviation Continues to Disproportionately Suffer under the Executive Budget

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). Unlike in previous budgets, where this appropriation came from the Dedicated Highway and Bridge Trust Fund, the Governor's budget appropriates only \$1 million from the DHBTF for AIP, and makes up the other \$3 million using resources available in the Regional Aviation Fund, which received proceeds from the privatization of Stewart Airport in the 1990s.

This lack of a permanent and dedicated source of state funding for aviation in the budget in the face of the growing infrastructure needs of airports is frustrating. Much of the airport infrastructure remains or is becoming ill-suited to help spur economic activity.

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) decreasing 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 upon 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 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.

New York needs to recognize the importance of airports and aviation to the State's economic development efforts. NYAMA is therefore urging the Legislature to work with the Governor to establish a significant, reliable and permanent aviation funding program, similar to what all other modes of transportation enjoy.

One way in which the legislature can help airports in the State attract investments necessary to develop aviation assets and further contribute to the State's economic development and job creation efforts is to enact the Aviation Jobs Act.

DOT Calls for Airport Market Expansion Strategies

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 GA airports, relative to smaller GA. As such, attracting more business and corporate aviation to airports is key to increasing airport revenues 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 impacts per airplane have been found to provide up to five on-airport jobs and approximately \$1 million in annual economic activity.

Enact the Aviation Jobs Act

Competition and more lenient tax laws in surrounding states such as Connecticut, Massachusetts, New Jersey and Ohio have increased pressure on already cash-strapped New York airports. A key initiative NYAMA is pursuing is the "Aviation Jobs Act" which passed the Senate last session and is prime-sponsored by Assemblywoman Donna Lupardo, along with twenty-seven Assembly Majority 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 NY Tax Department indicates that the exemption has been a tremendous success, resulting in an expansion of aviation maintenance and repair businesses, jobs and tax revenues here in New York.

We now hope, via the Aviation Jobs Act, to extend that job stimulus effort to include the purchase of aircraft. This tax law change is important for two critical reasons. First, New York State is at a significant competitive disadvantage with regard to attracting sales and basing aircraft in New York. A number of neighboring and nearby states, including Massachusetts, Connecticut, New Hampshire, Rhode Island, New Jersey and Delaware currently provide sales tax relief or favorable tax treatment for the purchase of these aircraft. 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. In fact, since 2002, NY has lost almost 700 based aircraft while Connecticut, for example, gained 31 over the same period. Many of these jets sit in just one Connecticut airport which has successfully targeted the New York market for its growth over the past few years representing a loss of important, well paying permanent jobs and millions of dollars in tax revenue to New York each year.

As mentioned earlier, DOT estimates that each business jet on average results in 5 direct jobs and \$1 million in economic impact for the State in which it is based. While NYAMA has calculated that each lost jet accounts for a total of approximately \$183,000 lost to the State's

recurring tax stream on an annual basis. The State 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 the State pursues policies that are pro growth and pro job creation in these tough fiscal times. NYAMA stands ready to assist you and respond to any questions or requests for additional information you may have.

Thank you.

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