

# **REVENUE ENHANCEMENT STUDY**

**Prepared For**



**October 2007**

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**TABLE OF CONTENTS**

<b><u>Section</u></b>	<b><u>Page</u></b>
<b>1.0 Introduction</b>	<b>1</b>
<b>2.0 MAA Office of Regional Aviation Assistance (ORAA)</b>	<b>4</b>
<b>3.0 Survey Results</b>	<b>8</b>
<b>4.0 Funding and Revenue Alternatives</b>	<b>11</b>
<b>5.0 Potential Innovative Funding Sources for Regional Aviation</b>	<b>16</b>
<b>6.0 Disbursement and Dedication of Aviation-Related Revenues</b>	<b>27</b>

**LIST OF TABLES**

<b><u>Number</u></b>	<b><u>Title</u></b>
<b>1</b>	<b>Functions and Responsibilities of ORAA</b>
<b>2</b>	<b>ORAA – Airport Inspection Costs</b>
<b>3</b>	<b>Staffing and Funding Resources of ORAA</b>
<b>4</b>	<b>Aviation Fuel Tax Rates &amp; Exemptions</b>
<b>5</b>	<b>Revenue Sources and Amounts</b>
<b>6</b>	<b>General Revenue Sources by Level of Government</b>
<b>7</b>	<b>Overview of General Revenue Sources for States</b>
<b>8</b>	<b>Potential Aviation Revenue Sources for MAA</b>
<b>9</b>	<b>State Aeronautics Agency - Written Survey Responses</b>
<b>10</b>	<b>MAA Jet Fuel Tax – Estimated Annual Revenues</b>
<b>11</b>	<b>State Aviation Trust Funds and Exemptions from Jet A Fuel Tax</b>

## LIST OF APPENDICES

- A**            **FY 2007 Maryland DOT Budget Allowance**
  
- B**            **MAA Organization Chart**
  
- C**            **Highlights – Economic Impact of Maryland’s 34 General  
Aviation and Commuter Airports**
  
- D**            **State Tax Guide**
  
- E**            **NASAO Briefing – Airport Improvement Program: Block  
Grant Impacts**
  
- F – 1**        **MAA Mail Out Survey Form**
  
- F - 2**        **Combined State Revenue Comparisons - MAA Survey  
Responses, July 2007**

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

---

**1.0 INTRODUCTION**

This study is an overview of potential revenue enhancement alternatives for the Maryland Aviation Administration (MAA). A variety of sources of information were collected and analyzed as part of this study:

- A mail-out survey to all 50 state aeronautics agencies was conducted in July, 2007, which resulted in a 60% response rate (30 states responded and 23 provided written comments). A follow-up phone interview of selected states was conducted in August and September, 2007.
- Interviews with MAA officials and review of existing MAA records and documents.
- Analysis of the state aviation agency management survey compiled by NASAO in 2002-2003.
- Analysis of state aircraft taxes and fees compiled by the NBAA and the firm of Conklin de Decker.
- Other sources including the U.S. Census Bureau; the National Association of State Budget Officers (NASBO); the Airport Cooperative Research Program (ACRP) within the Transportation Research Board (TRB); the National Governors Association (NGA); and the Government Accountability Office (GAO).

State agencies typically have limited, but clearly defined, sources of revenue. Maryland Aviation Administration (MAA) for example, receives a large portion of its revenue from the operating income generated by the two airports it owns and operates, Baltimore/Washington Thurgood Marshall International (BWI) and Martin State Airport (MTN). In addition, MAA has certain fees in place for services such as airport licensing and inspection.

In general, state agencies derive income from a variety of sources including:

- Appropriations from the general fund;
- Intergovernmental fund transfers (typically federal grants);

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

---

- General obligation (GO) and general airport revenue bonds (GARB), among other forms of debt;
- Legislative appropriations – special and project-specific;
- Fees and dedicated taxes, such as aircraft gasoline sales and excise tax, aircraft and pilot registration fees, airport inspection fees, etc.;
- Some states also have dedicated trust funds for highways, aviation, mass transit, etc., that are funded by special taxes and/or user fees.

As noted by the National Association of State Budget Officers (NASBO) regarding the budgeting process on the state level:

Budget stability is an outcome that is achieved through leadership, strong management, and good luck. In its simplest form, it describes an on-going balance between the supply and demand for government services, or more technically, between revenues and spending. There are two reasons why states typically encounter a gap between revenues and spending. The most frequent reason is due to cyclical economic changes, such as an unanticipated change in the business cycle that has a direct impact on the state budget. The other is structural in nature, which occurs when the cumulative impact of entitlements, mandates, automatic cost-of-living adjustments, and policy decisions force spending to grow at a greater rate than revenues.

Although NASBO is referring to the overall statewide budgeting process, those factors are also clearly evident in budgeting by state aeronautics agencies as well. Aviation is an extremely cyclical industry that is particularly vulnerable to external pressures and stresses, and as discussed below, the specific types of aviation-related revenue sources in place can be directly affected by those cycles, which in turn impact state aeronautics agencies and their ability to fulfill their mandates and responsibilities.

Another requirement that directly impacts the budgeting process is that some state agencies, including MAA, are required to be financially self-supporting. MAA is an agency within Maryland DOT. DOT has a transportation trust fund (see Appendix A), from which MAA derives a portion of its operating and capital budget. The types of revenue sources that a state agency can implement are determined largely by the powers and jurisdiction granted by the state legislature. As a result, even when new potential

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

---

revenue sources have been identified, an agency can only implement new revenue sources if they have the legal authority and administrative mechanisms to do so. For example, some state agencies are not allowed to issue General Obligation (GO) bonds or levy sales or excise taxes, while others are granted that jurisdiction by the legislature. In addition, because most state aviation agencies are part of DOT, the rules and regulations governing their ability to raise aviation-related revenue are affected by policies and procedures governing DOT. Finally, as discussed below, some states direct aviation-related revenue, such as fuel taxes, to the general fund, which exceeds the appropriations the aviation agency receives from that fund.

## **2.0 MAA OFFICE OF REGIONAL AVIATION ASSISTANCE (ORAA)**

MAA's Office of Regional Aviation Assistance (ORAA) performs statewide aeronautics support through a wide variety of functions and responsibilities, as shown in **Table 1**. MAA is a part of the Maryland Department of Transportation, and is one of two agencies within the Department, along with the Maryland Port Administration, that is required to be financially self-sufficient. Within MAA's organizational structure, ORAA is a separate office reporting directly to the Executive Director of MAA (see organization chart in Appendix B).

ORAA generates revenue from only a few of the services that it provides. ORAA's programs directly support general aviation, which in Maryland has a significant economic impact statewide. According to a recent economic impact study, activity at the 34 general aviation and commuter airports in Maryland generated almost 7,000 jobs, \$396 million in personal income, over \$500 million in business revenue, and almost \$41 million in state and local taxes (see Appendix C).

ORAA is directly involved in providing technical and financial support to each one of the 34 airports through a variety of programs, in addition to promoting and fostering aviation statewide, as well as supporting aviation education. In FY 2006 ORAA disbursed a total of \$4.71 million to general aviation airports through the Maryland Aid to Private Airports (MAPA) and Airport Improvement Program (AIP). However, ORAA operates with a staff of only four full time employees, a decrease of 43% from seven FTEs originally.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

---

**Table 1**

Office of Regional Aviation Assistance Maryland Aviation Administration		
Function/Responsibility	Legal Authority/Jurisdiction	Direct Fees/Revenues Generated
Publish charts, directories, maps, etc.	Under the mandate to foster and promote aviation in the state.	No
Register aircraft	MAA has the legal authority to register, but does not exercise it.	No
Register pilots	MAA has the legal authority to register, but does not exercise it.	No
Airport licensing & inspection	MAA has the legal authority and performs this function because FAA does not certify non-commercial service airports.	Yes
Register & license airport managers	MAA has the legal authority to register, but does not exercise it.	No
Airport management & design assistance	Under the mandate to foster and promote aviation in the state.	No
FAA Airport Improvement Program (AIP) grants	Funding mechanism for ALPs – state share = 2.5%. MAA reviews CIPs & ALPs	No
Maryland Aid to Private Airports (MAPA)	17 airports in program – funds safety and preservation programs.	No
Airport Safety Equipment Loan Program	Limited line-item budget.	No
FAA 5010 inspections/forms	MAA performs this function because FAA does not have the resources.	Yes (from FAA)
Airport obstruction evaluation	MAA analyzes obstructions in terms of impacts on air navigation and only makes determination. It has no authority to approve programs or remove obstructions.	No
Aviation safety program	Under the mandate to foster and promote aviation in the state. However, MAA participation is very limited – on request.	
Aerospace education program	Under the mandate to foster and promote aviation in the state. However, MAA participation is very limited – on request.	No
AWOS maintenance/operation	Under the mandate to foster and promote aviation in the state. Limited to the AWOS connectivity program.	No
Accident investigation/response	MAA has the legal authority to investigate accidents, but does not exercise it.	No

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

---

One of ORAA’s responsibilities, noted above, is to license and inspect airports, and it generates revenue based on the following fee schedule that was promulgated in 1976<sup>1</sup>:

- Initial airport license inspection fee = \$25
- Airport license renewal inspection fee = \$10
- Initial airport registration inspection fee = \$0 - \$10
- Airport registration renewal inspection fee = \$0 - \$5

ORAA’s average labor hours cost per airport inspection is shown in **Table 2**. The total labor cost for public/commercial and private airport inspections is estimated at \$50,490, which is not covered by the fees charged. That is consistent with a number of states that responded to the survey, who indicated that the fees they charge for certain aviation services do not cover their administrative and operating costs.

**Table 2**

Airport Inspection Cost (MAA Staff)		
Airport Usage	Public/Commercial	Private
Hourly Rate	\$30/hr.	\$30/hr.
Avg. Labor Hours Each Airport	18 hours	9 hours
Cost Per Airport	\$540	\$270
Number of Airports Inspected	46	95
<b>MAA Labor Cost</b>	<b>\$24,840</b>	<b>\$26,650</b>
Note: Costs shown above do not include travel expenses or materials and supplies.		

ORAA’s current and former staffing levels and primary existing revenue sources are shown in **Table 3**. While ORAA’s responsibilities have not decreased, the staffing levels have declined. ORAA relies on appropriations from MAA and the state legislature, as well as from FAA, to fund its programs; and its current fee structure does not cover its costs.

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<sup>1</sup> Source: Code of Maryland Regulations (COMAR), Title 11 Department of Transportation, Subtitle 03 Maryland Aviation Administration, Chapter 04 Aeronautical Regulations.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**Table 3**

<b>Office of Regional Aviation Assistance Maryland Aviation Administration</b>
<b>Staffing and Funding Sources</b>
ORAA Staff = 4 FTE (originally 7 FTE)  ORAA Revenue Sources: <ul style="list-style-type: none"><li>• MAA operating and capital appropriations through MDOT Trust Fund</li><li>• Airport licensing fees</li><li>• FAA fees for 5010 inspections</li><li>• Airport development loan repayments</li></ul>

One key policy question with regards to rates and charges is whether certain services provided by ORAA are for the general public benefit and welfare, and therefore should be subsidized by general fund revenue or MAA operating revenue, or conversely, whether all services provided by MAA (as a financially self-supporting agency) should be recovered through user fees, taxes, etc.

### **3.0 SURVEY RESULTS SUMMARY**

A mail out survey was conducted of all fifty (50) state aeronautic agencies in July 2007 (see Appendix F-1 for a copy of the cover letter and survey form, and Appendix F-2 for the survey results). Thirty (30) states responded, for a response rate of 60%, and of those, twenty three (23) states provided written comments as well (see **Table 9**, below). The large majority of state aeronautics agencies (87%) are part of their state department of transportation (DOT), as opposed to being independent agencies (9% of respondents). Approximately 33% of the states, including MAA, own and operate one or more airports.

Based on the results of the MAA survey, as well as the NASAO survey conducted in 2002 – 2003, and also the State Tax Summary (Appendix D), the primary revenue sources for other state aviation agencies are (percent of states shown in parentheses):

- Sales and excise taxes on Jet A fuel (92%) and 100LL avgas (96%), aircraft (38%), and parts (23%). Every state that imposes a sales or excise tax on fuel exempts government aircraft, and many states have exemptions for certain operators and users, most commonly for commercial carriers.
- Registration fees for pilots (46%), aircraft (38%), airports (12%).
- Other, including general fund appropriations (38%), special legislative appropriations (38%), bonds (8%), highway taxes and tolls (23%), auto fuel tax/surcharge (4%)
- A relatively small percentage of states collect fees for services such as publication of charts and brochures (4%), airport inspections, etc. Although many states provide a variety of services such as producing aeronautical charts, organizing and participating in safety seminars and other aviation education events, inspecting airports, providing technical support and guidance, the survey results indicate that states rarely charge for those services. As a result, state aeronautics agencies must support those activities with revenues from other sources, such as general fund appropriations and tax revenue on fuel and aircraft sales, etc.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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- Statutory authority allows FAA to designate 10 states as Block Grant States. New Hampshire is the ninth and latest state to be designated, and was added in 2007<sup>2</sup>. In 2002 NASAO provided an overview of the State Block Grant Program, as well as the roles and responsibilities of state aeronautic agencies (see Appendix E).
- A number of states exempt certain aircraft and parts from their sales and excise taxes. According to Conklin and deDecker:
  - Four states do not have a state sales/use tax: Alaska, Montana, New Hampshire and Oregon.
  - Massachusetts and Rhode Island do not impose their state sales/use tax on aircraft.
  - Maine, Connecticut, and Delaware do not impose their sales/use tax on aircraft that weigh more than 6,000 pounds.
  - States with a “fly-away” exemption (meaning that the aircraft delivery can occur in the state, but that State’s sales tax will not apply if the aircraft is purchased by a non-resident of that state and is removed within a certain period of time), include:
    - Arizona – First use of the aircraft must be to remove it from the state.
    - Florida – Aircraft must be removed within 10 days.
    - Kansas – Aircraft must be removed within 10 days.
    - Nebraska – Aircraft must be removed within 10 days.
    - Tennessee – Aircraft must be removed within 15 days.
    - Texas – First use of the aircraft must be to remove it from the state.

A follow-on telephone survey was conducted of six states, five of which are contiguous to Maryland, in an effort to collect and analyze more detailed aviation-related revenue sources. The results are shown in **Tables 4 and 5**, below.

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<sup>2</sup> The other eight Block Grant States are: Pennsylvania, North Carolina, Tennessee, Michigan, Wisconsin, Illinois, Missouri and Texas.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 4**

<b>Aviation Fuel Tax Rates &amp; Exemptions</b>				
State	Jet A Fuel Tax Rate Per Gal.	Avgas Fuel Tax Rate Per Gal.	Fuel Tax Exemptions/ Refunds	Exemptions & Refunds
Delaware	0	23.0c	Y	Refund for non-highway use (e.g. aircraft)
Maryland	7.0c	7.0c	Y	Common carriage under Parts 121,127,129 + Part 135 operator if at least 70% of the aviation fuel is used in common carriage of individuals or property.
New York	6.6c	6.6c	Y	Air carriers that serve four or more airports in NY exempt from Jet A tax.
Pennsylvania	2.0c	2.0c	N	No exemptions or refunds
Tennessee	4.5%	4.5%	Y	Air carrier flights destined for or continuing from a location outside the United States
Virginia	5.0c	5.0c	Y	The tax rate on aviation jet fuel sold to a licensed consumer is taxed at the rate of 5c/gal. on first 100,000 gallons purchased for use in a fiscal year, and reduced to 0.5c/gal. purchased in excess of 100,000 gallons in same fiscal year (July 1-June 30). Bonded Jet A fuel exempt from sales tax.
West Virginia	6.0c	0	N	No exemptions or refunds
<b>Average</b>	<b>5.3c</b>	<b>8.7c</b>	<b>Y=5: N=2</b>	

**Table 5**

<b>Revenue Sources and Amount</b>						
State	Jet A Fuel Tax	Avgas Fuel Tax	Total Fuel Revenue	Sales Tax	Other Fees <sup>1</sup>	Total Revenue
Delaware	-	-	\$58.4 K	0	0	\$58.4 K
Maryland	-	-	\$1.7 M	-	\$6,000	\$1.7 M
New York <sup>2</sup>	\$180 M	\$3.7 M	\$183.7 M	0	0	\$183.7 M
Pennsylvania	\$9.8 M	\$212 K	\$10 M	-	<\$100 K	\$10 M
Tennessee	-	-	\$30 M	-	-	\$30 M
Virginia	-	-	\$3.2 M	\$7.9 M	<\$100 K	\$12.3 M
West Virginia <sup>3</sup>	-	-	\$500 K	0	0	\$500 K
<b>Average</b>	<b>-</b>	<b>-</b>	<b>\$32.7 M</b>	<b>\$7.9 M</b>	<b>&lt;\$100 K</b>	<b>\$34.0 M</b>

1. Other fees include sale of aeronautical charts, airport inspections, pilot registrations, etc.

2. All aviation-related revenue in New York is channeled into the general fund. The Aviation Bureau receives less in appropriations from general fund than is generated in aviation revenue. Taxation Dept. does not track revenue from aircraft & parts sales tax.

3. Any tax collected on the sale of aircraft fuel shall be deposited in the state treasurer's office and transferred to the state aeronautical commission to be used for the purpose of matching federal funds available for the reconstruction, maintenance and repair of public airports and airport runways.

4. Separate receipts by fuel type were not available from DE, MD, TN, VA, and WV.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**4.0 FUNDING AND REVENUE ALTERNATIVES**

Revenue generation is an on-going issue and challenge with state governments nationwide. In terms of overall revenue sources for states, it can be seen in **Table 6** that states rely primarily on sales and gross receipts taxes, intergovernmental revenue, social insurance, individual income tax, and charges and fees.

**Table 6**

<b>General Revenue Sources by Level of Government</b>			
<b>Type of Revenue</b>	<b>Federal</b>	<b>State</b>	<b>Local</b>
Sales & gross receipts tax	0	23%	8%
Federal intergovernmental revenue	0	22%	3%
Social & other insurance	38%	16%	4%
Individual income tax	44%	15%	2%
Charges, fees, misc.	0	15%	30%
Corporation income taxes	9%	3%	0
Excise taxes	4%	0	0
Customs duties	2%	0	0
Property tax	0	1%	39%
Other	3%	6%	15%

Source: U.S. Census Bureau

Federal and local governments, on the other hand, are more dependent on other revenue sources: individual income tax is the largest single revenue source for the federal government, while property tax is the largest single revenue source for local governments.

Although the percentages vary from state to state, ideally revenue sources for public agencies should:

- Increase steadily at a predictable rate over a long period of time. This requires structuring revenue sources that are not dependent on a single, or even a limited number of measures of aviation activity that historically have been very cyclical, such as aircraft and pilot registrations, aircraft landing fees, fuel sold, etc.
- Be relatively easy to implement, collect, disburse, and monitor. One key objective is to utilize, to the extent possible, existing mechanisms of revenue collection and disbursement.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

---

- Exceed administrative and overhead costs. A number of state fees and taxes, including some levied by MAA, do not cover the cost to collect, monitor, and disburse them. In such cases, the fees should either be discontinued or increased to at least cover, and preferably exceed, administrative and overhead costs.
- Be uniform and non-discriminatory among various classes and categories of users and/or payers. As an airport sponsor encumbered by FAA grant assurances, MAA is legally required to ensure that its fees and charges are fair and reasonable and non-discriminatory.
- Be reasonable and fair in relation to industry standards.
- Be relatively transparent and non-controversial

In terms of the alternatives to enhance revenue generation at MAA, some of the advantages and drawbacks of each type of revenue source is presented in **Table 7**. Specific revenue enhancement alternatives for MAA, as well as their potential advantages and drawbacks, are shown in **Table 8**.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 7**

<b>Overview of General Revenue Sources for States</b>		
<b>Revenue Source</b>	<b>Advantages</b>	<b>Drawbacks</b>
Taxes (sales, excise, etc.)	<ul style="list-style-type: none"> <li>States have legal authority to impose taxes.</li> <li>States have tax collection mechanisms/ resources in place.</li> <li>Some taxes, such as excise taxes <sup>1</sup>, are relatively transparent and non-controversial.</li> <li>Are typically applied to whole categories or class of population – i.e. non-discriminatory</li> <li>Has potential to generate large amounts of revenue</li> </ul>	<ul style="list-style-type: none"> <li>Can be controversial and generate opposition</li> <li>Imposes additional administrative costs &amp; burdens to collect and disburse</li> <li>Can put state (and businesses) at a disadvantage compared to adjacent states without similar taxes</li> <li>Depending on structure, taxes can be regressive – i.e. unduly burden those payers with fewer resources. <sup>2</sup></li> </ul>
Fees (user fees, etc.)	<ul style="list-style-type: none"> <li>Targeted to only those who use the service/system</li> <li>Can be adjusted relatively easily and quickly based on demand &amp; financial needs</li> </ul>	<ul style="list-style-type: none"> <li>Fluctuates with utilization and demand – i.e. as demand declines revenue decreases.</li> <li>Often require additional administrative resources to collect &amp; disburse</li> <li>Can lower demand for service and/or use of the system (i.e. price elasticity) – particularly if fee is large enough to exceed all admin costs</li> </ul>
General Fund Appropriations	<ul style="list-style-type: none"> <li>Broad based revenue source</li> <li>Has the potential to subsidize all or parts of an agency’s O&amp;M and capital budgets</li> <li>Can be used in place of user fees</li> </ul>	<ul style="list-style-type: none"> <li>Can fluctuate with overall tax receipts and financial situation</li> <li>Aviation often has lower priority ranking compared to social services</li> <li>Level of funding for aviation can fluctuate with changes in political parties</li> </ul>
Bonds (General Obligation, General Airport Revenue Bonds, etc.)	<ul style="list-style-type: none"> <li>Is the largest source of funding for capital improvements, particularly for large and medium hub airports</li> <li>Many states have relatively high bond ratings, and therefore lower interest costs</li> </ul>	<ul style="list-style-type: none"> <li>Proceeds can be used only for very specific purposes, primarily for capital improvements.</li> <li>Bonds require repayment.</li> <li>Not typically available for general aviation airports</li> </ul>
Intergovernmental Revenue (e.g. FAA AIP grants)	<ul style="list-style-type: none"> <li>Can potentially be a large source of revenue (grants vs. loans)</li> <li>States have mechanisms in place to administer grants</li> </ul>	<ul style="list-style-type: none"> <li>Can fluctuate based on political or financial situation in Washington</li> <li>Limited use – typically only used for capital improvements, not day-to-day O&amp;M costs</li> </ul>
<p>1. A good example of a relatively transparent excise tax is the passenger facility charge (PFC) – a capitation tax – added to the price of airline tickets.</p> <p>2. For example, the general sales tax on consumer items and auto fuel tax are considered to be regressive because they have a greater impact on lower income population, while a flat income tax is not considered to be regressive.</p>		

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 8**

<b>Potential Aviation Revenue Sources for MAA</b>		
<b>Revenue Source</b>	<b>Advantages</b>	<b>Drawbacks</b>
Aviation taxes (sales, excise, etc.) on fuel, aircraft, and parts 1/	<ul style="list-style-type: none"> <li>• MAA has legal authority to impose additional aviation taxes.</li> <li>• MAA has tax collection mechanism/ resources in place.</li> <li>• Imposing a sales or excise tax on commercial jet fuel, presently exempted from state taxes, is a potential source of revenue.</li> </ul>	<ul style="list-style-type: none"> <li>• Would likely be controversial and generate opposition, particularly from aviation users.</li> <li>• Would require change to Maryland statutory law.</li> <li>• Any fuel tax increase would be greater than WV, VA, or PA's current rate.</li> </ul>
User fees for aviation charts, brochures, education seminars, airport inspections,	<ul style="list-style-type: none"> <li>• Targeted at users/beneficiaries. Aircraft landing and tiedown fees are examples.</li> <li>• Would recover costs for each service provided by ORAA</li> <li>• Can be adjusted relatively easily and quickly based on demand &amp; financial needs</li> </ul>	<ul style="list-style-type: none"> <li>• Would likely lower demand for service and/ or use of the system (i.e. price elasticity) in Maryland – particularly if fee is large enough to exceed all admin costs</li> <li>• Will require additional administrative resources to collect &amp; disburse – resulting in higher fees and greater impact on users.</li> </ul>
General Fund Appropriations	<ul style="list-style-type: none"> <li>• Broad based revenue source</li> <li>• Has the potential to subsidize all or parts of ORAA's operating and capital budgets</li> <li>• Could be used in place of user fees</li> </ul>	<ul style="list-style-type: none"> <li>• Can fluctuate with overall tax receipts and state's financial situation</li> <li>• Aviation often has lower priority ranking compared to social services</li> <li>• Level of funding for aviation can fluctuate with changes in political parties</li> </ul>
Bonds (General Obligation, General Airport Revenue Bonds, etc.)	<ul style="list-style-type: none"> <li>• MD DOT's transportation bond presently funds a large portion of the agencies programs.</li> <li>• Maryland has relatively high bond ratings, and therefore lower interest costs</li> </ul>	<ul style="list-style-type: none"> <li>• Agencies within MAA can not issue separate bonds.</li> <li>• Bond proceeds can be used only for very specific purposes, primarily for capital improvements.</li> <li>• Bonds require repayment.</li> <li>• Not typically available for general aviation airports</li> </ul>
Intergovernmental Revenue (e.g. FAA AIP grants)	<ul style="list-style-type: none"> <li>• Has been one source of revenue for MAA, including ORAA</li> <li>• Maryland has mechanism in place to support half of the local share of an AIP-eligible project.</li> </ul>	<ul style="list-style-type: none"> <li>• Can fluctuate based on political or financial situation in Washington. For example, new AIP program for FY 08 not yet passed – therefore uncertain about future funding levels or program requirements.</li> <li>• Use of grants is limited – typically only used for eligible capital improvements, not day-to-day O&amp;M costs</li> </ul>

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**Table 8**

**Potential Aviation Revenue Sources for MAA**

Footnotes:

1/ When setting tax rates, legislatures typically have two choices: set a fixed dollar amount (such as 25c per gallon for aviation fuel; \$4.50 passenger facility charge; \$5.00 landing fee for airplanes less than 12,500 lbs., etc.). Fixed rates are generally easier to assess and collect than percentages of retail price (for example, 5% of the price of a gallon of fuel, 5% of the cost of the airline ticket, etc.) Fixed rates and charges fluctuate directly with volume of activity, and if there is a high level of confidence that activity will continue to increase, the fixed dollar tax rate can be a positive revenue source.

Revenue from rates and charges set as a percentage of retail sale price will fluctuate both with volume and with price. For example, FAA has stated that the primary source of revenue for the Aviation Trust Fund is the tax on passenger airline tickets. Average ticket prices, however, have been declining because of the growth of low cost carriers, even though the overall volume of passengers is increasing. Because FAA's tax is set as a percentage of the ticket price, as prices have declined so has the revenue for the Trust Fund, even though passenger volume has increased. However, as commercial air carriers adjust their ticket prices upwards to cover their rising costs (particularly fuel and labor), the revenue going into the Trust Fund from the ticket tax will also increase. If there is a high level of confidence that prices will rise faster than volume (such as the price of fuel and oil, for example), then setting tax rates as a percentage selling price can generate a steadily increasing level of revenue.

## **5.0 POTENTIAL INNOVATIVE FUNDING SOURCES FOR THE ORAA**

The state aeronautics agencies that responded to MAA's survey identified a number of revenue sources, listed in **Table 9**. Each state was asked to answer three specific questions, shown below, and twenty three (23) states provided written responses.

- Are there any revenue sources that you would like to implement, but have not done so to date?
- Are there any *innovative* or *unique* revenue sources that your agency has adopted, or know about at other state agencies?
- Do you have any additional comments concerning revenue enhancement?

While not all responses revealed innovative or unique revenue sources for state aeronautic agencies, some states offered potentially new and viable revenue sources, summarized below:

- Aviation fuel tax (both sales and excise) is one of the most common, and largest, sources of aviation-related revenue. In Maryland, commercial airlines operating under FAR Parts 121, 127, and 129, as well as Part 135 operators are exempt from the state excise tax of \$0.07 per gallon on Jet A fuel<sup>3</sup>. If the exemption for commercial carriers in Maryland was eliminated and they were taxed on the fuel purchased, similar to general aviation and other aircraft operators in the state, that change could potentially generate more than \$16 million annually for MAA (**Table 10**).

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<sup>3</sup> If at least 70% of the fuel used is for common carriage

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 9**

<b>State Aeronautics Agency Written Survey Responses</b>				
<b>State</b>	<b>Any Other Types of Revenue Sources?</b>	<b>Any Types of Revenue Sources You Would Like to Implement?</b>	<b>Any Other Innovative Revenue Sources?</b>	<b>Additional Comments</b>
<b>Arizona</b>	Flight property tax			
<b>California</b>	Sale of aeronautics charts			
<b>Florida</b>	Avgas & Jet A together equal 33% of revenue for aviation			
<b>Georgia</b>	Dedicated funding for aviation.	Georgia Airports Association has lobbied the State Legislature to have the state sales tax from all aviation fuel sales dedicated to aviation. It did not get out of the committee this year, but will be reconsidered in 2008.		
<b>Hawaii</b>	Concessions, non-aeronautical			
<b>Idaho</b>	Aircraft rental 11%; interest 2%; other 2%.	None that be worth the effort to implement.	None that we know about that would have meaningful potential.	If you find a silver bullet, let us know about it!
<b>Iowa</b>	Gambling revenues.	We want the 5% use tax on purchased aircraft that is now collected to go into the dedicated aviation fund, not the general fund as it is now.		
<b>Kansas</b>			No. KDOT is considering a move toward sales tax (as opposed to per gallon tax) on fuel. Kansas is very anti-tax on aviation.	No. The aviation industry generates enough direct and indirect tax to provide for our modest programming.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 9 (cont.)**

<b>State</b>	<b>Any Other Types of Revenue Sources?</b>	<b>Any Types of Revenue Sources You Would Like to Implement?</b>	<b>Any Other Innovative Revenue Sources?</b>	<b>Additional Comments</b>
<b>Kentucky</b>			We were funded by jet fuel tax, but during last legislative session were placed under transportation cabinet funding through road funds. Much better for us!	
<b>Maryland</b>		Recognizing the MD is 1 of only a few States that does not charge commercial airline a fuel tax, this may be an option once all variables are weighed.	Being part of the MD Transportation Trust Fund, we've been able to tap funds otherwise not available if we were a stand alone agency.	Revenues generated at BWI and MTN are use for BWI and MTN due to federal obligations; however, the MD Transportation Trust Fund does fund operations and capital development as needed.
<b>Michigan</b>		Enhancement to aviation fuel tax		
<b>Minnesota</b>	Airflight property tax 30%; Investment interest 4%	Sales tax on aircraft directed to state airports fund		
<b>Mississippi</b>	Sales tax on auto parking at commercial service airports			
<b>Montana</b>	Sales of publications, windsocks, runway lights, etc.			We also have Yellowstone Airport which is a proprietary fund with 3 additional FTE's open seasonal May 1 to November 1 (approx.). Average around \$150,000 in revenue per year.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 9 (cont.)**

<b>State</b>	<b>Any Other Types of Revenue Sources?</b>	<b>Any Types of Revenue Sources You Would Like to Implement?</b>	<b>Any Other Innovative Revenue Sources?</b>	<b>Additional Comments</b>
<b>New Hampshire</b>	Skyhaven Airport	An aviation trust fund	Aviation license plates for revenue	Agencies should look to the private sector for funds to support projects/programs
<b>New Jersey</b>	Line item Airport safety fund in NJ Transportation Trust Fund			
<b>North Dakota</b>	Aerial application licensing, aircraft/ultralight dealer licensing	I haven't and probably will not get it done. But I believe that General Fund money should be increased in the support of aviation across the state. The total investment from the public is low for the return that the general fund gets.		
<b>Ohio</b>		Funding for aviation programs is the prerogative of the Ohio Legislature.		
<b>Oklahoma</b>		The Oklahoma Aeronautics Commission attempted to increase the excise tax on fuel.	The OAC has a program where aircraft purchaser can request that the excise tax paid can be dedicated to a specific airport. This program is available for aircraft with a \$5mil. purchase price or more	The OAC is attempting to sponsor legislation to receive general revenue funding for either one time or on a continuous basis.
<b>Pennsylvania</b>	Interest on trust fund and infrastructure bank loans		Economic development funding; Homeland security funding	

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**Table 9 (cont.)**

<b>State</b>	<b>Any Other Types of Revenue Sources?</b>	<b>Any Types of Revenue Sources You Would Like to Implement?</b>	<b>Any Other Innovative Revenue Sources?</b>	<b>Additional Comments</b>
<b>South Carolina</b>	Special appropriations	SC has a property tax on commercial carriers going into the general fund. The Division intends to secure those funds for Part 139 airports.	Marketing aviation outputs, using economic studies and analysis has provided special appropriated resources for the Division and for the airport owner.	Lowering property taxes is a task underway. The intent is to increase aviation activity thereby leading to other direct and indirect revenues for airport operators.
<b>Washington</b>		Commercial aviation fuel tax	Special aviation license plates	
<b>Wisconsin</b>	Ad Valorem tax (80%) environmental "oil inspection" tax is also included on all aviation fuel			

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**Table 10**

Maryland Aviation Administration Jet A Fuel Tax Estimated Annual Revenues							
Commercial Airport	Annual Gallons	Tax per Gallon					
		\$0.01	\$0.02	\$0.05	\$0.07	\$0.10	\$0.15
<b>BWI</b>	240,004,353	\$2,400,044	\$4,800,087	\$12,000,218	\$16,800,305	\$24,000,435	\$36,000,653
<b>Hagerstown</b>	146,000	\$1,460	\$2,920	\$7,300	\$10,220	\$14,600	\$21,900
<b>Salisbury</b>	584,000	\$5,840	\$11,680	\$29,200	\$40,880	\$58,400	\$87,600
<b>Total</b>	<b>240,734,353</b>	<b>\$2,407,344</b>	<b>\$4,814,687</b>	<b>\$12,036,718</b>	<b>\$16,851,405</b>	<b>\$24,073,435</b>	<b>\$36,110,153</b>
Notes:							
- BWI based on calendar 2006 commercial gallons as reported by Signature Flight Support							
- Hagerstown and Salisbury are estimates assuming 200 gallons each for 2 daily flights at Hagerstown and 8 at Salisbury							

- Twenty-four states (48%) have some form of exemption from the Jet A fuel sales and/or excise tax on commercial operators (**Table 11**). States have adopted a wide variety of exemptions to their fuel tax, primarily aimed at commercial airlines. Almost every state, for example, exempts aircraft operated by civilian and military government agencies from their fuel taxes. In terms of commercial carriers, states such as Alaska, Illinois, Indiana, and Oregon exempt only international operations from the fuel tax; Alabama exempts only airlines that hub in the state from their fuel tax; New York only exempts airlines that serve four or more cities in the state; and Virginia exempts bonded Jet A fuel.
- States also have different requirements in terms of the fuel that is taxed: for example, some states only tax fuel that is actually used in their state, while others impose the tax on fuel that is bought in the state.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 11**

State Aviation Trust Funds and Exemptions from Jet A Fuel Sales & Excise Taxes by Commercial Carriers  
Source: Conklin & de Decker, 2007

State	State Aviation Trust Fund	Commercial Carriers Exempt from Jet A Fuel Tax	Notes/ comments regarding fuel exemption for commercial carriers
Alabama	Y	Y	Only airlines that hub in AL
Alaska	N	Y	Only international flights
Arizona	Y	N	
Arkansas	Y	N	
California	Y	Y	
Colorado	Y	Y	
Connecticut	N	N	
Delaware	N	N	
Florida	Y	N	
Georgia	N	Y	Effective July 1, 2005 each qualifying airline will pay sales & use tax up to \$15 million. Thereafter purchase of Jet A in same FY is exempt from tax.
Hawaii	Y	Y	State tax does not apply to sale of bonded fuel to carriers arriving or departing foreign ports.
Idaho	Y	N	
Illinois	Y	Y	Only international flights
Indiana	N	Y	Only international flights
Iowa	N	N	
Kansas	N	Y	Only those engaged in interstate commerce
Kentucky	N	Y	Carriers offered credit on state use and sales tax on fuel purchased in excess of \$1,000,000
Louisiana	Y	N	
Maine	N	Y	Only international flights
Maryland	N	Y	Common carriage of persons & property under FAR Parts 121, 127 & 129 exempt from excise tax + Part 135 operators if 70% of fuel used for common carriage
Massachusetts	Y	Y	Only bonded jet fuel exempt
Michigan	Y	Y	Scheduled interstate commercial flights entitled to refund of \$0.015 per gallon
Minnesota	Y	N	
Mississippi	Y	N	
Missouri	Y	N	
Montana	Y	Y	Scheduled passenger carrying airline flights entitled to refund of \$0.02 to \$0.04 per gallon
Nebraska	Y	N	
Nevada	Y	N	
New Hampshire	N	N	
New Jersey	Y	Y	Fuel sold for delivery to an international airport
New Mexico	Y	Y	40% of the value of fuel specially prepared for use in turboprop & turbojet aircraft engines as determined by the Department may be deducted from gross receipts
New York	N	Y	Commercial operations entitled to refund of excise & sales tax if they are qualifying airline (i.e. serve 4 or more cities)
North Carolina	N	N	
North Dakota	Y	Y	Everyone entitled to refund of excise tax if they apply for refund
Ohio	Y	Y	
Oklahoma	Y	N	
Oregon	Y	Y	Only international flights
Pennsylvania	Y	N	
Rhode Island	Y	N	
South Carolina	Y	Y	Transportation companies exempt from sales tax
South Dakota	Y	N	
Tennessee	Y	N	
Texas	N	N	
Utah	Y	N	Air carriers pay \$0.04 per gal. excise tax vs. \$0.09 for non-carriers
Vermont	N	N	
Virginia	Y	Y	Bonded aviation jet fuel exempt from excise tax.
Washington	Y	Y	Commercial (certificated) operators exempt from excise tax, but must pay sales tax on fuel burned over the state.
West Virginia	Y	N	
Wisconsin	N	N	State gave Midwest Express \$0.02/gal. reimbursement from oil inspection fee
Wyoming	Y	N	
	Y=Yes	N=No	
States w/ Av Trust Funds	34 (68%)		States w/ Fuel Exemptions 24 (48%)
States w/o Av Trust Funds	16 (32%)		States w/o Fuel Exemptions 26 (52%)
States w/Aviation Trust Funds + Fuel Exemptions		16	
States w/Aviation Trust Funds + No Fuel Exemptions		18	

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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Any change in MAA's current fuel tax exemption status would, of course, generate opposition from the airlines. They would likely argue that such a tax (more accurately, the elimination of their exemption from the existing excise fuel tax) would increase their cost per enplaned passenger and force them to raise ticket prices, and therefore decrease their traffic and revenue potential.

On the other hand, airlines have made large investments in their facilities and services in Maryland, and have established market identities and a customer base, and would be reluctant to give up that investment. In addition, eliminating the exemption for commercial carriers could be applied to all carriers statewide (i.e. broadly and uniformly applied), and the tax would be similar to the fuel taxes that airlines pay in other states. Pennsylvania and Delaware, for example, do not offer exemptions on fuel taxes to air carriers, although Virginia does exempt bonded jet fuel from its excise tax

- Aviation business enterprise tax (ABET) and aviation business profits tax (ABPT). Such taxes are similar in concept to the percentage of gross fee revenue form of rates and charges in place at some airports. South Carolina, for example, has a property tax on commercial air carriers operating in the state, and the revenue is directed to the general fund, which the state plans to redirect to FAR Part 139 airports. If aviation businesses in the state (FBOs, aircraft and parts manufacturers, airlines, pilot supply stores, air taxi operators, flight schools, etc.) are growing and profitable, it could be a steady and growing source of revenue. The aviation-related businesses do not have to be located on an airport, they can be located anywhere in the state. Drawbacks include increasing the cost of doing business in Maryland, which could make it more difficult to attract new aviation businesses and retain some existing companies, particularly if adjacent states do not have similar taxes.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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- A related example of a broad business tax, that has possible application to aviation businesses, has been adopted by the State of Hawaii. It is their General Excise Tax (GET) on gross income, gross receipts, and gross proceeds of all business activities. The general excise tax is levied on gross income (i.e., total business income before any business expenses are deducted) derived from all business activity in the state. It is different from sales taxes in two major ways:

First, the general excise tax is imposed on the business instead of on the customer. Rather than acting as tax collectors, businesses are taxed on their income. The general excise tax, therefore, is considered to be an expense which businesses incur in the normal course of doing business in Hawaii, along with other expenses such as labor costs, utility bills, cost of inventory, etc.

Second, the general excise tax is levied on gross income from almost all types of business activities, including the sale of tangible personal property at both wholesale and retail, services, contracting, commissions, interest, lease or rental activities, etc. The general excise tax rate varies depending on the business activity; it is 0.15% on insurance commissions, 0.5% on certain activities such as wholesaling, and 4% on most activities at the consumer level. The 0.5% and 4% rates are the same rates imposed by the state use tax. The use tax is levied on the landed value of tangible personal property imported into the state, and complements the general excise tax by requiring persons importing goods from outside to pay the same rate of tax that an in-State seller would have paid in general excise tax had those goods been purchased in the state.

- State highway tolls and auto fuel tax. Some state aviation agencies, such as Kentucky, are funded largely through state highway trust fund and/or auto fuel taxes, which provides a large source of revenue. Such revenue eliminates the need for most aviation user fees and other taxes. However, if the aviation agency must compete with the highway division for a share of that revenue, aviation is frequently ranked lower in priority for funding and therefore receives less money.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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If a portion of the revenue is dedicated to aviation, then it can be a very steady and significant source of revenue for aviation programs.

- Aviation theme license plates – several states sell aviation theme license plates at a premium charge, which generates some additional revenue.
  
- Statewide property tax for airport tenants. Although it is most commonly levied by municipalities, some states charge a statewide property tax as an additional revenue source. A similar tax could be instituted either on airport owners, or on the businesses and private individuals that lease property from the airport. Such a tax would increase the cost for businesses and individuals, and could decrease the ability to attract new businesses or tenants, and even risk causing existing businesses and individuals to move out of state.
  
- Pennsylvania and Minnesota can earn interest on trust fund and infrastructure bank loan balances. As noted in the report recently published by the Airport Cooperative Research Program (ACRP) of TRB, *Innovative Finance and Alternative Sources of Revenue for Airports, A Synthesis of Airport Practice*, ACRP Synthesis 1, 2007, which was written by Cindy Nichol of Jacobs Consultancy, the National Highway System Designation Act of 1995 (NHS Act) enabled states to capitalize transportation credit assistance banks modeled on wastewater State Revolving Loan Funds. The State Infrastructure Bank (SIB) program provides loans, credit enhancement, and other forms of assistance (such as bond banks) to eligible surface transportation projects. Thirty-nine (39) states participated in the NHS pilot. In TEA-21, Congress allowed only four states—California, Florida, Missouri, and Rhode Island—to use new TEA-21 funding for capitalization. Because program implementation and capitalization levels vary from state to state, the best source of information about SIB assistance is the state DOT.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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- Dedicate a portion of revenue from auto parking at commercial service airports for state aviation programs. Mississippi imposes a sales tax on auto parking at commercial service (CS) airports. Such revenue can be generated in the form of an excise tax on auto parking, or a surcharge. At large CS airports with a growing traffic base and with an operating surplus, such funding sources can be a long-term revenue stream.
- The National Association of State Budget Officers recommends establishing reserve funds (also known as a rainy day fund) to cover those budget cycles when revenues decline to the extent that they do not cover expenses. Such funds are particularly useful for financially self-supporting agencies such as MAA. As noted by NASBO:

Many states rely on rainy day funds to ease the adjustments during economic downturns. States often use formulas to determine the method of deposit, withdrawal, and fund limits for budget stabilization or rainy day funds. Cyclical problems, especially if they are not too severe, are often addressed through budget stabilization measures such as rainy day funds.

Budget stabilization funds are useful in managing normal forecast variance, i.e. approximately 5 percent or less. Beyond that point, voters usually are reluctant to support the taxes necessary to hold enough in reserves to handle a recession or other major economic downturn. Although it is difficult to generalize among states, a recession could easily involve a revenue loss of 5 to 10 percent and the cumulative effect over two or three years of slow growth becomes the more significant problem. A major gap between revenues and expenditures exceeding 5 percent would most likely be addressed by a combination of reserves along with program reductions or revenue increases.

In addition to formal reserves, such as rainy day funds, informal reserves also play an important role in maintaining a stable budget. These methods may consist of such efforts as increasing the portion of pay-as-you-go capital, issuing debt for shorter periods of time, and shortening the span of time for bill payments.

Budget stabilization funds often ease the impact of unforeseen events, rather than insulate a state from taking actions during economic downturns. The rating agencies, for example, look at long-term balance with the full expectation that significant economic downturns often require budget reductions *and* tax increases to achieve a balanced budget.

Source: National Association of State Budget Officers

## **6.0 DISBURSEMENT AND DEDICATION OF AVIATION-RELATED REVENUES**

As states implement new or innovative revenue programs, a key component is dedicating that revenue to aviation-related programs and expenses. Most states operate with a general fund accounting system, and as noted previously, many aviation-related sources of revenue are directed into the general fund as opposed to going directly to the aviation division or bureau. Thirty four (34) states have aviation trust funds, most of which channel aviation-related revenue directly to the trust fund, but even some of those agencies do not receive all of the aviation-related revenue generated within their state. For example, some states with aviation trust funds direct revenue from aviation fuel taxes into the states general fund.

In addition, many states rely on their department of taxation and/or their division of motor vehicles to collect aviation-related taxes and fees. Depending on the accounting system used, some states track the amount of revenue generated by each tax and fee, while others do not. As a result, some states do not know how much revenue is generated by aviation-related fees and taxes. In addition, some state departments of taxation share aviation-related revenue data with their DOT and aeronautics division, while other states do not have mechanisms in place to share that information.

Some of the existing revenue generated by ORAA and other agencies within MAA, for example, is channeled into MAA's operating fund, as opposed to earmarked for specific aviation programs.

Although many state aeronautics divisions receive disbursements from the general fund, survey respondents indicated they would prefer a mechanism to earmark the aviation-related revenue (from fuel sales, for example) specifically for their division. Oklahoma, for example, allows aircraft operators who pay the state excise tax on avgas and Jet A to direct which airports will receive that revenue. The State of New Hampshire collects aircraft registration fees and returns half of the fees to the airport where the aircraft are actually based.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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However, many general fund agencies at the federal, state and local level do not have the accounting mechanisms or resources to adequately track revenues from specific sources and/or to match revenue by source to program-specific expenditures. FAA grant assurances require airport sponsors to track the revenue generated on their airport and ensure that it is dedicated to airport-related expenses. However, aviation-related taxes and fees collected by states are often not dedicated to aviation programs, and as noted above, not even tracked in terms of the amount collected by the source of revenue.

Most of the thirty four (34) states that have adopted aviation trust funds, similar to FAA's Aviation Trust Fund, have dedicated revenue sources, and the trust fund balance is used to fund specific aviation related programs within the state. Many state trust funds can be used for both O&M as well as capital improvements, unlike FAA's AIP which is largely restricted to capital improvements. In addition, many trust funds are considered to be off-budget and are therefore not directly affected by statewide or federal budget deficits.

In reality, the federal and many state governments find mechanisms to use trust fund balances to supplement other budget items. In addition, some states with aviation trust funds do not receive appropriations from the general fund, and if the trust fund's revenue sources decrease, then the aviation program budgets shrink as well.

As part of the examination of potential additional revenue sources, MAA should also consider:

- Which agency will collect the new fees, and whether that agency has the resources to adequately track and account for the aviation-related revenue collected, and whether they can easily share that information with MD DOT and MAA. For example, eliminating the exemption for commercial carriers from the sales tax on Jet A could generate almost \$17 million in additional revenue for MAA (as shown above). If that exemption were eliminated, determining who will

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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collect that tax revenue, how they track it, and ensuring that the revenue is directed to MAA, will be critical.

- Ensure that any future aviation-related revenue is dedicated for aviation programs or agencies such as ORAA, as opposed to the general fund or state transportation fund. However, collecting, tracking, and dedicating a new revenue source to specific aviation programs or agencies typically requires legislative approval, and legislatures across the country approve tax and fee increases reluctantly.

APPENDIX A

*Maryland Department of Transportation*



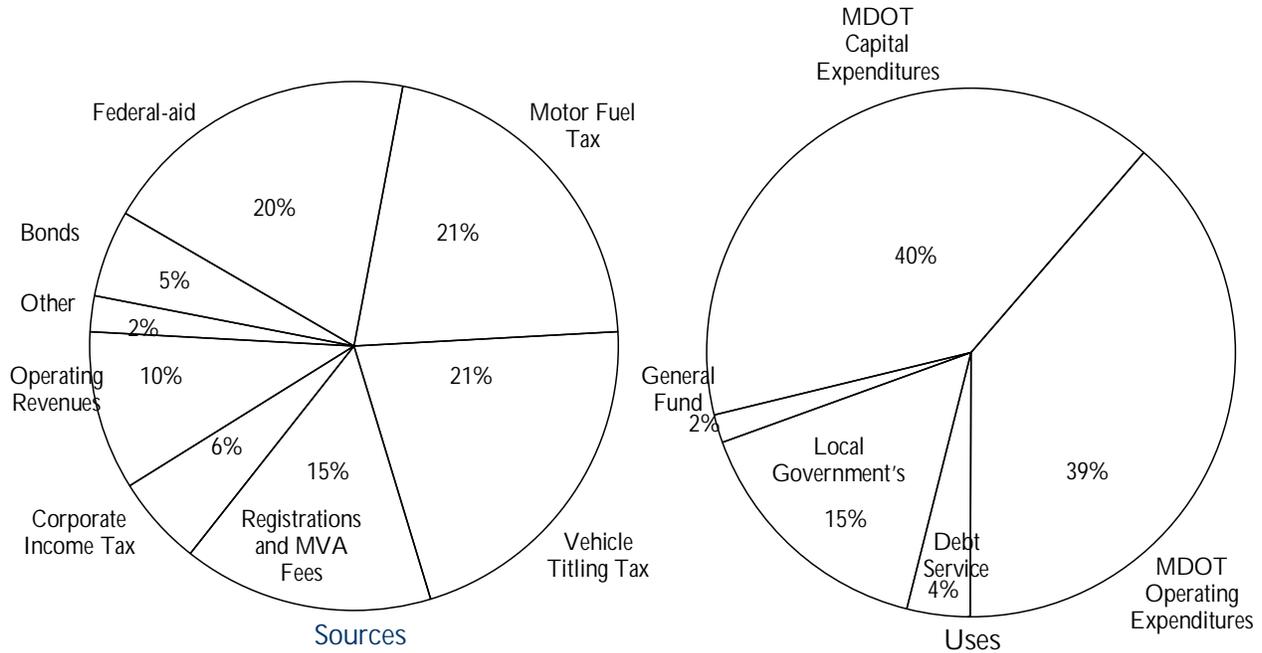
*FY 2007 Budget Allowance*

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MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY

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*Transportation Trust Fund  
FY 2006 - 2011  
(Millions of Federal and State \$)*

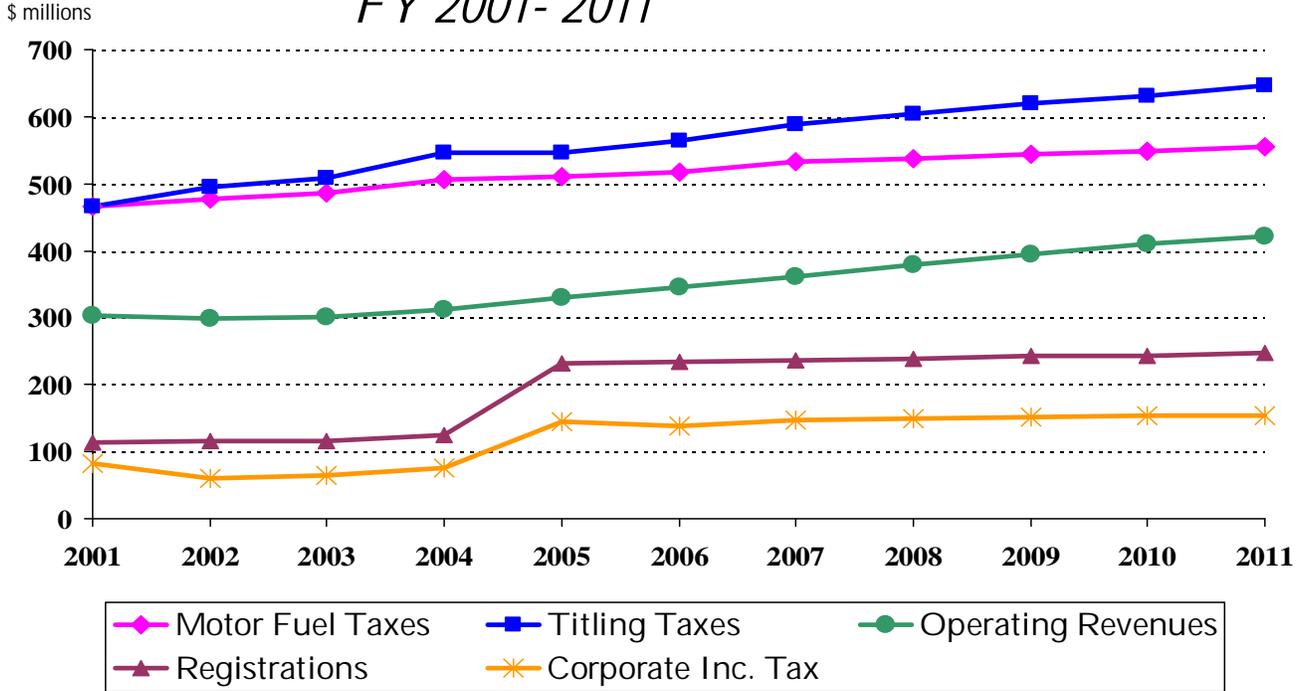


NOTE: Includes non-budgeted federal assistance to WMATA..

- The Transportation Trust Fund is dedicated to the support of transportation in Maryland. Revenues and expenditures each total more than \$3 billion annually.
- The motor fuel tax and vehicle titling tax are the two largest sources of state revenue. Federal-aid covers a significant portion of the State's transportation capital program.
- Revenues are not earmarked for specific programs. About 83 percent of the total revenues remain with the Department of Transportation.
  - Fifteen percent is allocated to local governments through the Highway User Revenue Account.
  - Two percent is allocated to the General Fund for current statutory deductions.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

*Maryland Department of Transportation  
Major Revenues  
FY 2001- 2011*



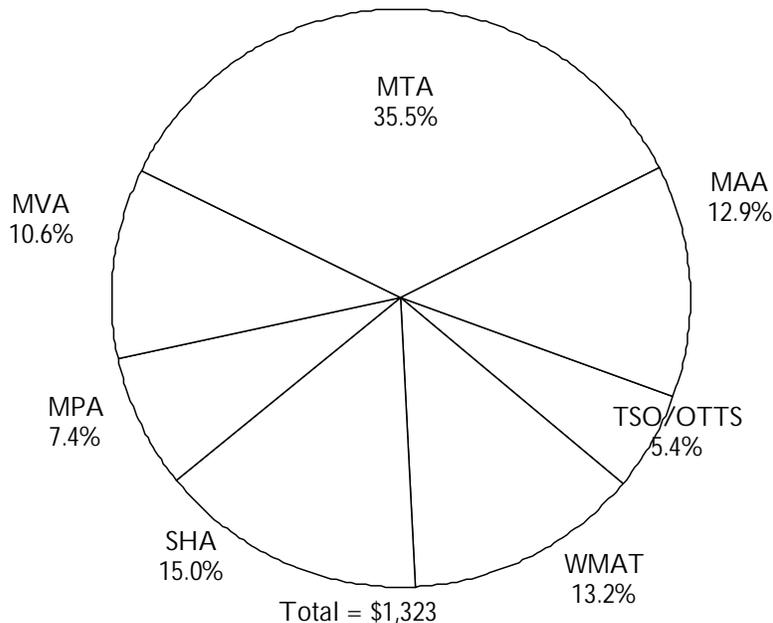
- Transportation revenues are not inflation-sensitive. Historically, significant growth only results from statutory increases to the specific rates.
- Transportation user revenues are projected to increase moderately through the six-year planning period (FY 2006-2011).
- Motor fuel tax receipts are forecasted to increase between 1% and 2% per year. Titling tax receipts, while increasing over the long term, are projected to follow the business cycle in vehicle sales throughout the forecast period.
- Operating revenues have increased steadily and should continue to rise due to growth at the Port of Baltimore and BWI Airport.
- Registration Fees increase in FY 2005 due to the increase enacted by the legislature. Corporate Income Tax receipts show the impact of the Delaware Tax Amnesty collections.

NOTE: Amounts shown are Net Receipts

MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY

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*MDOT Operating by Administration  
FY 2007 Allowance  
(Millions of Federal and State \$)*

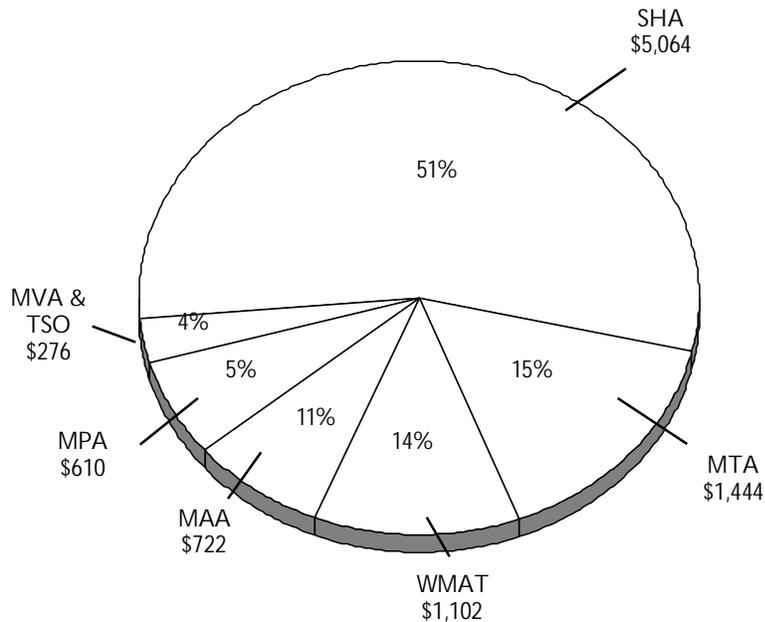


- Operating revenues (\$361 million), MVA cost recovery fees (\$164 million) and federal operating revenues (\$77 million) offset 46 percent of the gross budgeted expenditures listed above.
  - Maryland Port Administration and Maryland Aviation Administration recover operating expenditures through user fees from shipping lines, airlines and concessionaires.
  - Maryland Transit Administration budget reflects total expenditures. Washington Metropolitan Area Transit portion includes only Maryland's share of subsidy.
  - Motor Vehicle Administration recovers a majority of its operating costs from miscellaneous motor vehicle related fees (i.e. fees other than titling tax and vehicle registrations).
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MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY

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*Maryland Department of Transportation  
FY 2006-FY 2011 Capital Program  
(\$ millions)*



- Includes funds not received through the Trust Fund - from the Maryland Transportation Authority, Passenger Facility Charges, Customer Facility Charges, Maryland Economic Development Corporation (MEDCO) and federal funds received directly by WMATA
- Approximately \$620 million is programmed over the next six years for the construction of the Woodrow Wilson Bridge of which \$559 million is federal funds.

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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## Maryland Transportation Trust Fund

Transportation needs in Maryland are funded from an integrated account called the Transportation Trust Fund. The Transportation Trust Fund was created in 1971 to establish a dedicated fund to support the Maryland Department of Transportation (MDOT). The use of this integrated trust fund approach allows Maryland a tremendous flexibility to meet varying transportation service and infrastructure needs. The continuing commitment to these needs has provided Maryland with the excellent infrastructure system necessary to support the economic growth of the State.

All activities of the Department are supported by the Trust Fund, including debt service, maintenance, operations, administration, and capital projects. Unexpended funds remaining in the Trust Fund at the close of the fiscal year are carried over and are not reverted to the State's General Fund.

All funds dedicated to the Department are deposited in the Trust Fund and disbursements for all programs and projects are made from the Trust Fund. Revenues are not earmarked for specific programs; the allocation of funds to projects and programs is made in conjunction with state and local elected officials.

Sources of funds include motor fuel taxes, motor vehicle excise (titling) taxes, motor vehicle fees (registrations, licenses and other fees), and federal-aid. In addition, the Trust Fund also includes corporate income taxes, operating revenues (e.g., transit fares, port fees, airport fees), and bond proceeds. Federal-aid projections are based on current appropriations and the match required to meet capital program cash flow requirements. Bonds are issued to support the cash flow requirements of the planned capital program while maintaining debt coverage requirements.

Certain Trust Fund revenues are shared with other state agencies and local governments based on statutory requirements. The funds in the Gasoline and Motor Vehicle Revenue Account are distributed 70 percent to MDOT, 15 percent to Baltimore City, and 15 percent to the counties and municipalities based on motor vehicle registrations and road miles. Deductions are also made for certain General Fund purposes, including environmental, fuel tax collection, and state police programs.

After the state agency and local government deductions, the remaining funds are allocated for debt service, MDOT operating expenditures, and MDOT capital expenditures. MDOT expenditures are for various modes of transportation: State Highway Administration (SHA), Maryland Transit Administration (MTA and MARC), Washington Area Transit Programs (WMAT), Maryland Port Administration (MPA), Maryland Aviation Administration (MAA), and Motor Vehicle Administration (MVA and ISC).

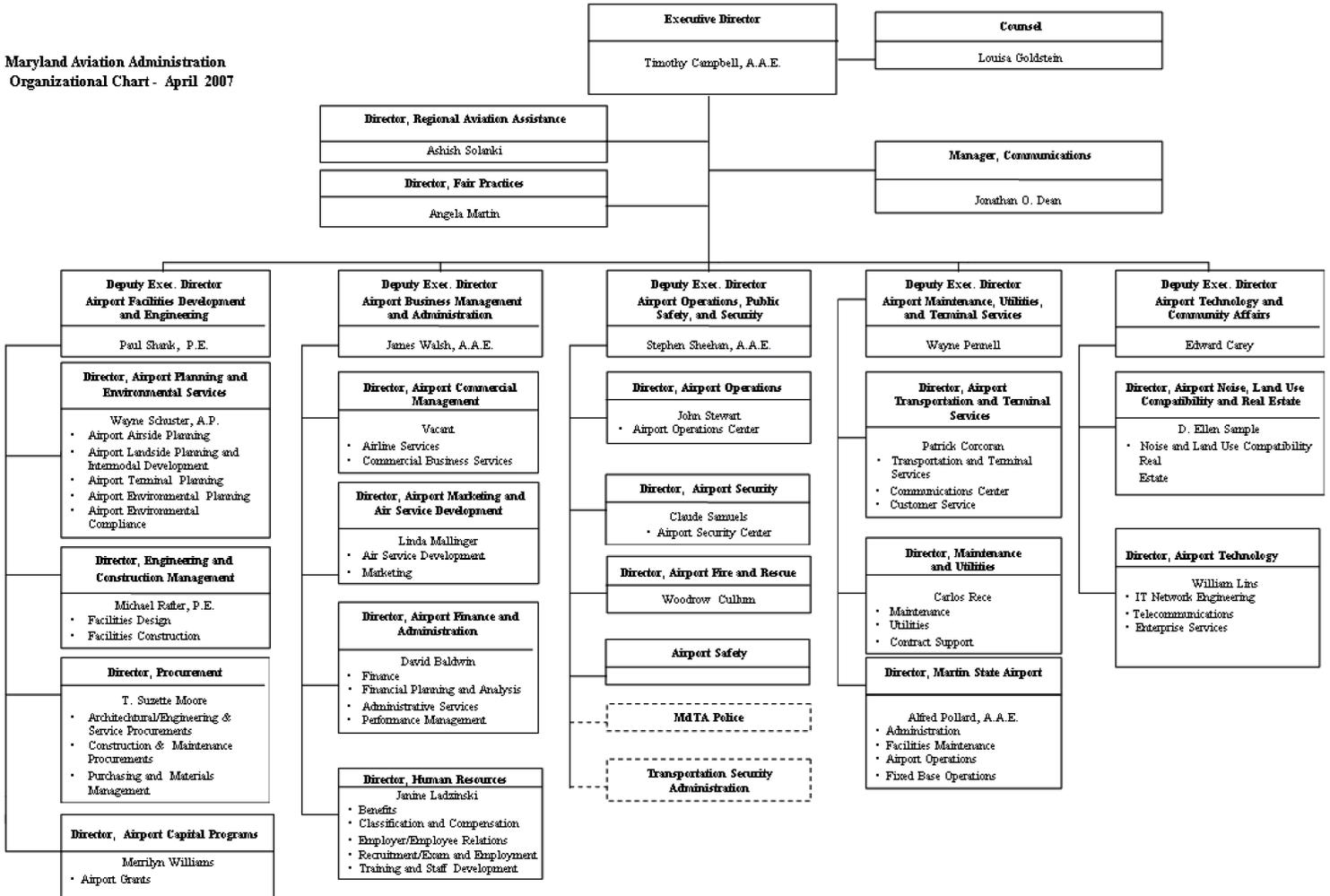
The Transportation Trust Fund permits the State tremendous flexibility to meet the needs of a diverse transportation system. Although Maryland was one of the first states to have an integrated trust fund, it is a model copied by other states. By working closely with the rating agencies and maintaining financially prudent criteria regarding the Trust Fund, the Department has one of the highest credit ratings given to transportation agencies.

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# MARYLAND AVIATION ADMINISTRATION REVENUE ENHANCEMENT STUDY

## APPENDIX B

Maryland Aviation Administration  
Organizational Chart - April 2007



APPENDIX C



**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**Table 1**  
**Economic Impacts of General Aviation and  
Commuter Activity In the State of Maryland**

	General Aviation/ Commuter Airports
JOBS	
Direct Jobs	3,555
Induced Jobs	1,810
Indirect Jobs	<u>1,432</u>
Total Jobs	6,797
Personal Income (000)	
Direct	\$142,103
Induced	\$191,235
Indirect	<u>\$62,813</u>
Total Personal Income	\$396,151
Business Revenue (000)	\$501,417
Local Purchases (000)	\$135,972
State and Local Taxes (000)	\$40,802
Federal Aviation Taxes (000)	\$1,002

*Totals may not equate due to rounding*

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

**Table 2  
Summary of Impacts Generated by Maryland's General Aviation and Commuter Airports**

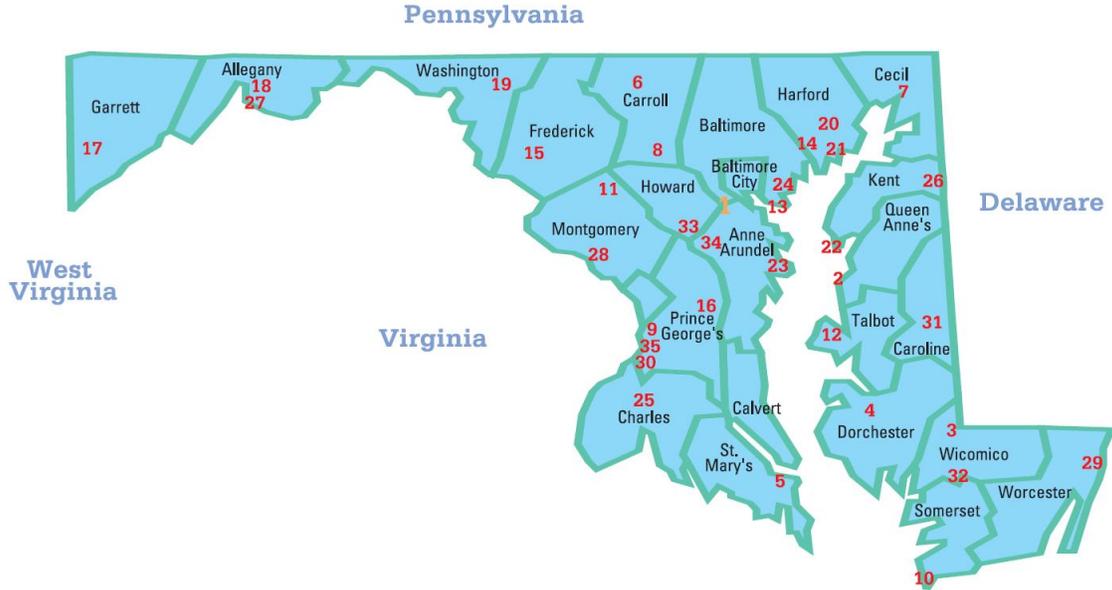
	Jobs				Personal Income (000)				Revenue (000)	Taxes (000)	Purchases (000)
	Direct	Induced	Indirect	Total	Direct	Induced	Indirect	Total			
Bay Bridge Airport	20	8	9	37	\$575	\$788	\$439	\$1,802	\$1,430	\$186	\$774
Bennett Airport	9	4	2	15	\$258	\$354	\$85	\$697	\$453	\$72	\$159
Cambridge/Dorchester	21	10	20	51	\$758	\$1,038	\$878	\$2,674	\$1,932	\$275	\$1,506
Capt. Walter Francis Duke	45	24	36	105	\$1,847	\$2,531	\$1,627	\$6,005	\$5,666	\$618	\$3,363
Carroll County	75	42	28	145	\$3,326	\$4,557	\$1,427	\$9,310	\$4,962	\$959	\$2,712
Cecil County Airport	18	8	8	34	\$618	\$946	\$335	\$1,799	\$874	\$185	\$565
Clearview Airport	3	1	1	5	\$88	\$120	\$47	\$255	\$200	\$26	\$168
College Park Airport	30	13	10	53	\$924	\$1,266	\$478	\$2,668	\$409	\$275	\$952
Crisfield-Somerset Airport	2	1	1	4	\$53	\$72	\$60	\$185	\$132	\$19	\$150
Davis Airport	2	1		3	\$70	\$96		\$166	\$265	\$17	
Easton Airport	183	91	88	362	\$6,948	\$9,518	\$4,116	\$20,582	\$21,767	\$2,120	\$7,716
Essex Skypark	6	4	3	13	\$359	\$492	\$118	\$969	\$298	\$100	\$225
Fallston Airport	3	1	0	5	\$120	\$164	\$6	\$290	\$60	\$30	\$15
Frederick Municipal Airport	477	292	477	1,246	\$23,841	\$32,663	\$20,695	\$77,199	\$108,679	\$7,951	\$52,761
Freeway Airport	29	9	5	43	\$525	\$719	\$274	\$1,518	\$1,400	\$156	\$476
Garrett County Airport	4	2	2	8	\$140	\$192	\$95	\$427	\$200	\$44	\$180
Greater Cumberland on Site	28	14	7	49	\$1,062	\$1,454	\$258	\$2,774	\$1,051	\$285	\$1,096
Hagerstown Regional on Site	580	323	94	997	\$25,670	\$35,169	\$4,429	\$65,268	\$68,107	\$6,723	\$8,988
Hagerstown Regional Visitor	24	5	10	39	\$392	\$282	\$282	\$964	\$1,599	\$99	\$534
Hagerstown Regional Total	604	328	104	1,036	\$26,062	\$35,459	\$4,711	\$66,232	\$69,706	\$6,822	\$9,522
Harford County Airport	10	4	11	25	\$276	\$379	\$507	\$1,162	\$752	\$120	\$1,044
Havre de Grace Seaplane Base	1	0	0	1	\$18	\$24	\$1	\$43	\$66	\$4	\$1
Kentmorr Airpark	1	0	0	1	\$18	\$24	\$3	\$45	\$66	\$5	\$5
Lee Airport	8	3	0	11	\$234	\$321	\$14	\$569	\$1,063	\$59	\$28
Martin Airport	959	541	261	1,761	\$43,179	\$59,154	\$12,247	\$114,580	\$205,994	\$11,802	\$23,573
Maryland Airport	18	10	14	42	\$805	\$1,103	\$715	\$2,623	\$2,623	\$270	\$1,354
Mexico Farms Airport	4	2	0	6	\$123	\$168	\$3	\$294	\$463	\$30	\$7
Montgomery County Airpark	34	18	30	82	\$1,383	\$1,895	\$1,360	\$4,638	\$6,528	\$478	\$2,348
Ocean City Municipal Airport	42	16	17	75	\$1,121	\$1,535	\$819	\$3,475	\$5,080	\$358	\$1,619
Potomac Airfield	19	10	6	35	\$821	\$1,124	\$302	\$2,247	\$1,666	\$231	\$563
Ridgely Airpark	5	2	2	9	\$113	\$154	\$90	\$357	\$422	\$37	\$191
Salisbury-Ocean City on Site	517	253	122	892	\$19,231	\$26,347	\$5,396	\$50,974	\$26,701	\$5,250	\$12,333
Salisbury-Ocean City Visitor	313	68	123	504	\$5,072	\$3,753	\$3,644	\$12,469	\$20,692	\$1,284	\$6,911
Salisbury-Ocean City Total	830	321	245	1,396	\$24,303	\$30,100	\$9,040	\$63,443	\$47,393	\$6,534	\$19,244
Suburban Airpark	2	1	1	4	\$60	\$82	\$31	\$173	\$265	\$18	\$57
Tipton Airport	50	23	34	107	\$1,754	\$2,403	\$1,623	\$5,780	\$8,224	\$595	\$2,740
Washington Executive/Hyde Field	13	5	9	27	\$321	\$440	\$410	\$1,171	\$1,328	\$121	\$858
<b>TOTALS</b>	<b>3,555</b>	<b>1,810</b>	<b>1,432</b>	<b>6,797</b>	<b>\$142,103</b>	<b>\$191,235</b>	<b>\$62,813</b>	<b>\$396,151</b>	<b>\$501,417</b>	<b>\$40,802</b>	<b>\$135,972</b>

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**Exhibit 2**

Location of each of the General Aviation and Commuter Airports within the State of Maryland



- |  |  |
|--|--|
| 1 Baltimore Washington International Thurgood Marshall Airport | 18 Greater Cumberland Regional Airport         |
| 2 Bay Bridge Airport   | 19 Hagerstown Regional Airport                 |
| 3 Bennett Airport  | 20 Harford County Airport                      |
| 4 Cambridge/Dorchester County Airport                          | 21 Havre de Grace Seaplane Base                |
| 5 Capt. Walter Francis Duke Regional Airport @ St. Mary's      | 22 Kentmorr Airpark                            |
| 6 Carroll County Regional Airport                              | 23 Lee Airport                                 |
| 7 Cecil County Airport   | 24 Martin State Airport                        |
| 8 Clearview Airport  | 25 Maryland Airport                            |
| 9 College Park Airport   | 26 Massey Aerodrome                            |
| 10 Crisfield-Somerset County Airport                           | 27 Mexico Farms Airport                        |
| 11 Davis Airport   | 28 Montgomery County Airpark, Potomac Airfield |
| 12 Easton Airport  | 29 Ocean City Municipal Airport                |
| 13 Essex Skypark   | 30 Potomac Field                               |
| 14 Fallston Airport  | 31 Ridgely Airpark                             |
| 15 Frederick Municipal Airport                                 | 32 Salisbury-Ocean City: Wicomico Regional     |
| 16 Freeway Airport   | 33 Suburban Airpark                            |
| 17 Garrett County Airport                                      | 34 Tipton Airport                              |
|  | 35 Washington Executive Airport/Hyde Field     |

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**APPENDIX D**

**STATE TAX GUIDE**

Source: Conklin and de Decker, Inc.



**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**SUMMARY**

State	State Sales Tax	Aircraft Registration Fee	Personal Property Tax	Fuel Tax	
				Jet Fuel	Aviation Gasoline
Alabama	2% & 4%	No	Yes	\$0.008	\$0.024
Alaska	None	No	Yes	\$0.032	\$0.047
Arizona	5.6%	Yes	No	\$0.0305	\$0.05
Arkansas	6% & 5.125%	No	Yes	6% Sales Tax	6% Sales Tax
California	7.25%	No	Yes	\$0.02, plus Sales Tax	\$0.18
Colorado	2.9%	No	No	\$0.04, plus Sales Tax	\$0.06
Connecticut	6%	Yes	No	None	None
Delaware	0.384%	No	No	None	\$0.23
Florida	6%	No	No	\$0.069	\$0.069
Georgia	4%	No	Yes	4% Sales Tax	\$0.01, plus Sales Tax 4%
Hawaii	4%	Yes	No	\$0.01, plus Sales Tax	\$0.01, plus Sales Tax
Idaho	5%	Yes	No	\$0.045	\$0.055
Illinois	6.25%	Yes	No	\$0.003, plus Sales Tax	\$0.003, plus Sales Tax
Indiana	6%	Yes	No	6% Sales Tax	\$0.18, plus Sales Tax
Iowa	5%	Yes	No	\$0.03	\$0.08
Kansas	5.3%	No	Yes	5.3% Sales Tax	5% Sales Tax
Kentucky	6%	No	Yes	6% Sales Tax	\$0.15
Louisiana	4%	No	Yes	4% Sales Tax	\$0.20, plus Sales Tax
Maine	5%	Yes	No	\$0.034	\$0.22, plus Sales Tax
Maryland	5%	No	No	\$0.07	\$0.07
Massachusetts	5%	Yes	No	\$0.05	\$0.124
Michigan	6%	Yes	No	\$0.03, plus Sales Tax	\$0.03, plus Sales Tax
Minnesota	6.5%	Yes	Yes	\$0.05	\$0.05
Mississippi	3% & 7%	Yes	No	\$0.0520	\$0.064
Missouri	4.225%	No	Yes	4% Sales Tax	\$0.09
Montana	None	Yes	No	\$0.04	\$0.04
Nebraska	5.5%	No	Yes	\$0.03	\$0.05
Nevada	6.5% - 7.5%	No	Yes	\$0.01, plus local Taxes	\$0.02, plus local Taxes
New Hampshire	None	Yes	No	\$0.02	\$0.04
New Jersey	6%	No	No	\$0.02	\$0.125
New Mexico	5%	Yes	No	5% Sales Tax	\$0.17
New York	4.25%	No	No	\$0.056, plus Sales Tax	\$0.146, plus Sales Tax
North Carolina	4.5%	No	Yes	4.5%	4.5%
North Dakota	5%	Yes	No	\$0.08	\$0.08
Ohio	5.5%	Yes	No	6 % Sales Tax	6 % Sales Tax
Oklahoma	3.25%	Yes	No	\$0.0008	\$0.0008
Oregon	None	Yes	No	\$0.01	\$0.09
Pennsylvania	6%	No	No	\$0.018	\$0.041
Rhode Island	7%	Yes	No	None	None
South Carolina	5%	No	Yes	5 % Sales Tax	5% Sales Tax
South Dakota	4%	Yes	No	\$0.04	\$0.06
Tennessee	7%	No	Yes	\$0.01 plus Sales Tax	\$0.01 plus Sales Tax
Texas	6.25%	No	Yes	None	None
Utah	4.75%	Yes	No	\$0.09	\$0.09
Vermont	6%	No	No	6% Sales Tax	\$0.29
Virginia	2% & 5%	Yes	Yes	\$0.05	\$0.05
Washington	6.5%	Yes	No	\$0.11 plus Sales Tax	\$0.110 plus Sales Tax
West Virginia	6%	No	Yes	6% Sales Tax	6% Sales Tax
Wisconsin	5%	Yes	No	\$0.06	\$0.06
Wyoming	4%	No	Yes	\$0.05	\$0.05

Source: Conklin & de Decker

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APPENDIX E

**NASAO**  **BRIEFING**

FOR

TRB Session #228

Airport Improvement Program: Block Grant Impacts

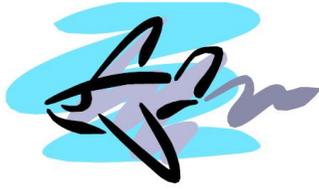
*by*

*Lori Lehnerd*

*NASAO Vice President*

January 14, 2002

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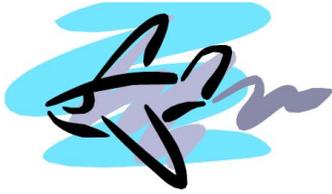


## BACKGROUND ON STATE AVIATION AGENCIES

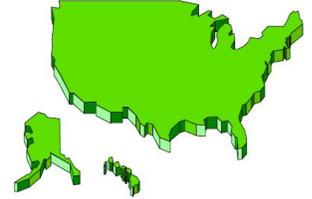


- Exist in All States, Guam and Puerto Rico
- Vary in Organizational Structure and Size
- Wide Variety of Aviation Programs
- Expanding Role in All Categories of Aviation
- 33 States Own and Operate Airports
- Support Aviation Safety and Security Programs
- Active in Aviation Education
- Invest about \$800 Million Annually in Airport Planning, Infrastructure Development, Operations, Maintenance, Management, and Navigational Aids

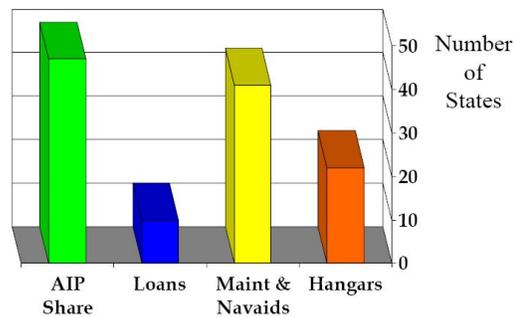




## STATE AVIATION FUNDING PROGRAMS



### → Variety of State Funding Programs



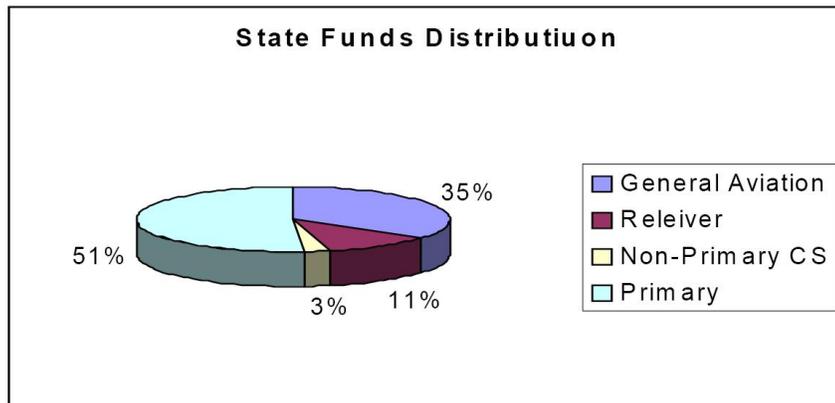
- States Spend About \$400 Million Annually on Airport Development
  - About 20% to Match Federal Grants
  - Other 80% for State-Only Grants and Loans
  - Planning, Construction, Maintenance, Land Acquisition and Nav aids Projects
-



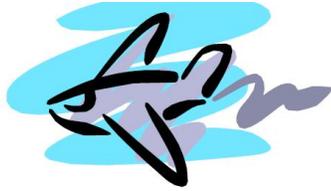
## STATE AVIATION FUNDING PROGRAMS



- Fund Projects at All Categories of Airports Nationwide



- Invest State Dollars to Conduct Aviation Education Programs for Variety of Airport Users
  - Oversee and Fund Preparation of Statewide Aviation System Plans, Economic Impact Studies, Airfield Pavement Maintenance/ Management Programs, Air Service Studies, and GPS Surveys
-



## STATE BLOCK GRANT PROGRAM BACKGROUND



- 
- State Aviation Agencies Administer AIP Grant Funds
  - Program Authorized by Congress
  - Participating States Selected by FAA
  - Pilot Program Began in 1987 with Three States (IL, MO, and NC)
  - Four New States Added in 1992 (MI, NJ, TX, WI)
  - GAO Report to Congress Issued in March 1996
    - Says Pilot Program a “Success”
    - “States have streamlined AIP project approval processes, reduced paperwork requirements, and eliminated duplication that took place when state and federal activities overlapped.”
    - Determined that both airports and FAA have benefited from State Block Grant Program



**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**APPENDIX F-1**

**MAA MAIL OUT SURVEY FORM**

**JULY 2007**

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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Maryland Aviation Administration

Martin O'Malley  
Governor

Anthony G. Brown  
Lt. Governor

John D. Porcari  
Secretary

---

Timothy L. Campbell, A.A.E.  
Executive Director

June 21, 2007

«Company\_Name»  
«Address\_Line\_1»  
«Address\_Line\_2»  
«City», «State» «ZIP\_Code»

Dear State Director:

The Maryland Aviation Administration (MAA) is responsible for ensuring the financial health of our agency in order to maintain the quality of service that the aviation users of our state rely on. MAA is currently reviewing its financial situation, and in particular is actively studying our revenue structure.

We are compiling existing published data sources and are also sending out this survey to every state aviation agency. This survey was designed to supplement the information that is presently available so that we can create an accurate picture of the revenue sources that are currently in place around the country. We think this information will be of interest to every state aviation agency, and we will share the results of this survey with everyone who participates.

As with any benchmarking study, the results of this survey are only as good as the responses that we receive. Also, we are proceeding quickly to complete this study and this survey is a critical element of our analysis. As a result, please complete and return the survey to MAA by **Friday, July 13, 2007**, or earlier. You can complete and return the enclosed survey form by mail, or alternatively, go on line to complete the survey at <http://www.marylandregionalaviation.aero/revenuesurvey>.

If you have any questions about our survey or our revenue study, please contact Ashish J. Solanki, Director, Office of Regional Aviation Assistance, at 410-859-7064, or by email at [asolanki@bwiairport.com](mailto:asolanki@bwiairport.com)

We believe that this issue is of vital importance to every state aviation agency, and by working together we can help each of us. Thank you very much for your cooperation.

Sincerely,

Timothy Campbell, A.A.E.  
Executive Director

Enclosure

P.O. Box 8766, BWI Airport, Maryland 21240-0766 • 410-859-7100 • TOLL FREE: 1-800-435-9294  
TTY/TDD for the hearing impaired: 410-859-7227 • [www.bwiairport.com](http://www.bwiairport.com)  
The Maryland Aviation Administration is an agency of the Maryland Department of Transportation

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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Maryland Aviation Administration

Martin O'Malley  
Governor  
Anthony G. Brown  
Lt. Governor  
John D. Porcari  
Acting Secretary

Timothy L. Campbell, A.A.E.  
Executive Director

**STATE AVIATION REVENUE SURVEY**

Name \_\_\_\_\_ Title \_\_\_\_\_

Phone Number \_\_\_\_\_ Email \_\_\_\_\_

**1. ORGANIZATION**

Check One

- Independent Department/Agency
- Part of DOT or other State Department
- Other \_\_\_\_\_

NUMBER OF EMPLOYEES (FTE) IN FY 2006 \_\_\_\_\_

BLOCK GRANT STATE Yes  No

DEDICATED AVIATION TRUST FUND Yes  No

OWN and/or OPERATE AIRCRAFT? Yes  No  If Yes, how many? \_\_\_\_\_

OWN and/or OPERATE AIRPORTS? Yes  No  If Yes, how many? GA \_\_\_\_\_ CS \_\_\_\_\_

**2. DOES YOUR AVIATION AGENCY MANAGE AND/OR FUND:**

NAVAIDS & AWOS/ASOS Yes  No

GA AIRPORT MAINTENANCE Yes  No

AIRPORT INSPECTIONS Yes  No

OBSTRUCTION REMOVAL Yes  No

STATEWIDE PAVEMENT MANAGEMENT Yes  No

AVIATION SYSTEM PLANS Yes  No

HANGARS, TERMINALS, ROADS, etc Yes  No

AVIATION EDUCATION PROGRAMS Yes  No

AVIATION CHARTS Yes  No

OTHER \_\_\_\_\_ Yes  No

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**STATE AVIATION REVENUE SURVEY**

**3. PLEASE IDENTIFY REVENUE SOURCES**

Please identify revenue sources applicable to your agency.

Revenue Source	Revenue Source (Please circle yes or no)	Revenue Dedicated for Aviation Use? (Please circle yes or no)	% of Total Revenue
<b>Sales and/or Use Tax On:</b>			
• Aircraft	Yes / No	Yes / No	
• Aircraft Parts	Yes / No	Yes / No	
• Aircraft Maintenance	Yes / No	Yes / No	
<b>Aviation Gasoline Tax:</b>			
• Excise Tax	Yes / No	Yes / No	
• Sales/Use Tax	Yes / No	Yes / No	
<b>Jet A Fuel Tax:</b>			
• Excise Tax	Yes / No	Yes / No	
• Sales/Use Tax	Yes / No	Yes / No	
<b>Aircraft Registration Fee</b>	Yes / No	Yes / No	
<b>Pilot Registration Fee</b>	Yes / No	Yes / No	
<b>Airport Registration/License Fee</b>	Yes / No	Yes / No	
<b>Airport Rates and Charges</b>	Yes / No	Yes / No	
<b>General Fund Appropriations</b>	Yes / No	Yes / No	
<b>Highway Taxes/Tolls</b>	Yes / No	Yes / No	
<b>Bonds (General Obligation, Revenue, etc.)</b>	Yes / No	Yes / No	
<b>Other (please specify below)</b>	Yes / No	Yes / No	
<b>TOTAL</b>			<b>100%</b>

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**STATE AVIATION REVENUE SURVEY**

4. **ARE THERE ANY REVENUE SOURCES THAT YOU WOULD LIKE TO IMPLEMENT, BUT HAVE NOT DONE SO TO DATE?**

5. **ARE THERE ANY INNOVATIVE REVENUE SOURCES THAT YOUR AGENCY HAS ADOPTED, OR KNOW ABOUT AT OTHER STATE AGENCIES?**

6. **ADDITIONAL COMMENTS CONCERNING REVENUE ENHANCEMENT**

If you have any questions concerning this survey, please contact:

**Ashish J. Solanki, Director**  
Office of Regional Aviation Assistance  
Maryland Aviation Administration  
Phone: 410-859-7064  
E-Mail: [asolanki@bwiairport.com](mailto:asolanki@bwiairport.com)

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**APPENDIX F-2**

**COMBINED STATE REVENUE COMPARISONS**

**MAA SURVEY RESPONSES**

**JULY 2007**

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**National State Aviation Rates and Charges Survey Summary**

<b><u>Overview - Organization and Responsibilities</u></b>	<b>Number of States</b>			<b>Avg.</b>	<b>High-Low</b>	
	<b>MAA Survey</b>	<b>NASAO Survey</b>	<b>Conklin Survey</b>			
Independent agency:	3	8				
Part of DOT	26					
Other	1					
Number of Employees	3,114	1,495				
Block Grant State	6	6				
Dedicated Aviation Trust Fund	16	24				
Own/operate Aircraft	21					
Own/operate Airports - total	15					
General Aviation	94					
Commercial	4					
Navaid Maintenance	28					
Airport Inspections	30					
Obstruction Removal	26					
Pavement Management	28	37				
Aviation Systems Plans	29	47				
Fund Airport Buildings	23					
Aviation Education Programs	24	18				
Produce Aviation Charts and Pubs	24	37				
Other Services	18					
<b><u>Aviation Related Taxes</u></b>						
<b>Sales and Excise:</b>						
Aircraft	12		46	4.663%	7.250%	0.000%
Parts	7		46	4.771%	7.250%	0.000%
Maintenance	6					
AVGAS excise tax	15		42	8.540%	29.000%	0.080%
AVGAS sales tax	15		15	1.581%	7.000%	0.000%
Jet A excise tax	14		34	3.900%	11.000%	0.080%
Jet A sales tax	15		20	2.109%	7.250%	0.000%
<b>Registration:</b>						
Pilots	2	4				
Aircraft	14	22				
Airports	6					
Commercial/ business enterprises						
<b>Commercial businesses:</b>						
Profits tax						
Enterprise tax						
<b>Waybill Tax:</b>						
Air Freight and Mail						
<b>Waybill Tax:</b>						
Aircraft						
Airport land						
Airport buildings						

**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**National State Aviation Rates and Charges Survey Summary**

**Aviation Related User Fees**

Airport licensing and inspection		24
Aircraft landing fee		
Aircraft parking fee		
Airport security fee		
Aviation education seminars		24
Aviation charts, directories, pubs		
Auto parking (commercial srvc)		
Advertising fee		

**Non-Aviation Revenue Sources**

General fund appropriations	11	
Special appropriations (legislative)		
Bonds	3	
Highway taxes and tolls	7	
Auto gas tax		
Other	16	















**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**DEFINITIONS**

Source: Conklin and de Decker

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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**Ad Valorem Tax** – a tax imposed on the basis of the monetary value of real estate and personal property. An ad-valorem tax is typically imposed at the time of a transaction (a sales tax or value-added tax (VAT), but it may be imposed on an annual basis (real or personal property tax), or in connection with another significant event (such as inheritance tax or tariffs).

**Air Carrier** – means a person who undertakes directly by lease, or other arrangement, to engage in air transportation.

**Aircraft** – a device that is used or intended to be used for flight in the air.

**Airplane** – usually means a fixed-wing, heavier-than-air vessel that is driven by a propeller or jet and supported by the dynamic reaction of air against its wings.

**Airport** - an area of land or water that is used or intended to be used for the landing and takeoff of aircraft, and includes its buildings and facilities, if any.

**Allocate** – an allotment or apportionment; as an allocation of shares in a company.

**Appraise** – to set a value; to estimate the worth of.

**Apportionment** – allotment of direct taxes on the basis of state population

**Assess** – to estimate the value (of property) for taxation

**Aviation gasoline** – for use in aviation piston engines, commonly referred to as Avgas.

**Aviation gasoline tax** – a tax imposed on gasoline used in aircraft

**Based aircraft** – an aircraft permanently stationed at an airport by agreement between the owner and the airport management. Many states define ‘permanently stationed’ as remaining on the ground at the same airport for 30 or more days, although the length of time varies.

**Business aviation** – operation of an aircraft for business purposes when the pilot also performs a business function

**Capital lease** – appears as a sale over time. Ownership may transfer at the end of the lease period. The interest may be deductible for tax purposes, but the lease obligation reduction is not.

**Casual sale** – a sale made by an entity not in the business of selling this type of property. Some states may not include aircraft from this exemption.

**Charter** – renting or leasing an aircraft and/or flight crew for compensation or hire.

**Common carrier** – an aircraft that is used to transport persons and/or property for hire or compensation, usually under an FAA approved operating certificate.

**Corporate aviation** – the use of an aircraft by a company or business person for the transportation of people, cargo, mail, or a combination thereof, for the furtherance of the firms business, and which is flown by a professional pilot who received a direct salary or compensation for piloting.

**Depreciation** – the reduction in the book or market value of an asset and that part of an investment that can be deducted from taxable income.

**Dry lease** – refers to obtaining use of an aircraft only. See also wet lease.

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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Excise tax - similar to a sales tax, it is imposed on a variety of goods, from gasoline to luxury items. Excise taxes can be levied on either business owners or on customers and end users. When excise taxes are levied on businesses, they are often included in the price of the product (i.e. pass-through). They can be levied either as a percent of wholesale or retail price, or as a fixed fee per item.

Federal Aviation Administration (FAA) – governs civil aviation and aviation-related activities in the U.S. The FAA has sole jurisdiction over the National Airspace System.

Federal Aviation Regulations (FARs) – regulations established and administered by the FAA.

Fixed base operators (FBO) – a business that serves the aviation community by providing a range of aeronautical services including but not limited to selling and repairing aircraft and parts, selling fuel, flight and ground school instruction, etc.

Fly away exemption – the premise is that no tax is charged if the purchaser removes the aircraft from the state after purchase, in some cases within a certain period of time.

General aviation – that portion of civilian aviation that encompasses all facets of aviation except air carriers.

General aviation airports (public) – an airport that is used for public purposes, that is under the control of a public agency, and whose landing area is publicly owned.

Government carrier – includes military and other federal, state, and local government operators who own and/or operate their own transport equipment. Government carriers provide services including but not limited to firefighting, law enforcement, aerial patrol, scientific research and development, flight inspection, surveying, search and rescue, drug interdiction, agricultural application, and transport of government personnel, etc.

Helicopter – an aircraft without fixed wings that obtains lift from the rotation of overhead rotor blades.

Heliport – an area of land or water or any structure used for landing and taking off of helicopters.

Hub (air traffic) – as defined by FAA, they are large airports with commercial air service located in the proximity of metropolitan statistical areas. The size of the hub is determined by the percentage of passenger enplanements relative to the national total. An airline hub is an airport where the airline provides connecting services and may or may not be located at an airport designated by FAA as a hub.

Hun-and-spoke network – a traffic system created by airlines that transports passengers and cargo between smaller outlying communities and larger hub airports.

Income tax – a tax levied on net personal and/or business income. A personal tax levied on annual income.

Isolated sale – see casual sale.

Jet fuel – kerosene based fuel for turbine engines. Civilian aircraft use Jet A fuel.

Jet fuel tax – a tax imposed on jet fuel.

Labor/services – in some certain services, including repair work, are exempt from tax if separately stated on the invoice.

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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Large hub – defined by FAA as an airport that enplanes more than 1% of the total national passenger enplanements.

Lease – a contract granting use or occupation of property during a specified time for a specified payment.

Local taxes – many states, particularly those that have adopted home rule, allow incorporated cities, counties, and towns within their jurisdiction to levy local sales and use taxes in addition to state sales and income taxes.

Millage rates – an antiquated method of valuation that is a multiple of a thousandth (i.e. 6 mills = .006).

Nautical mile – a unit of measurement typically used in air navigation. One nautical mile = 1.15 statute miles.

Non-hub – as defined by FAA, a commercial service airport that enplanes less than .05 percent of the total national passenger enplanements.

Non-resident – a non-resident person is one who does not legally reside in the state or jurisdiction.

Occasional sale – see casual sale.

Person – includes any individual, firm, corporation, co-partnership, joint venture, association of persons, social club, limited liability company, estate trust, etc.

Personal property tax – a tax on tangible personal property

Registration fees - a fee that is imposed on the registration of an aircraft within a particular state. This fee may be in lieu of personal property tax.

Resident – is a person who maintains residency in a given place. States and countries impose different time periods, and other criteria, to qualify as a legal resident.

Sale – usually means the transfer of title, exchange, or barter, conditional or otherwise, of tangible personal property.

Sales tax – a tax that is imposed directly on sales and is based on the selling price. A sales tax is a consumption tax charged at the point of purchase for certain goods and services. The tax is usually set as a percentage by the government charging the tax, and there are usually a list of exemptions. The tax can be included in the price (tax-inclusive) or added at the point of sale (tax-exclusive).

State aviation trust fund – a dedicated fund that is used to support aviation within the state.

Tangible personal property – property which can be seen, weighed, measured, felt or touched, or is in any way perceptible to the senses. Tangible personal property is all goods, chattels, and other articles of value and includes machinery, equipment, furniture, fixtures, signs, and supplies that are leased, loaned, borrowed, or rented equipment used in a business, etc.

Trade-in allowance – usually a tax is due on the difference between the value of a new item and the value of the item that is being traded in. Some states require the trade-in to be of like kind.

Use-tax – also referred to as compensating tax, is assessed upon otherwise "tax free" tangible personal property purchased by a resident of the assessing state for use, storage or consumption of goods in that state (not for resale), *regardless of where the purchase took place*. The use tax is typically assessed at the same rate as the sales tax that would have been owed (if any) had the same goods been purchased in the state of

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**MARYLAND AVIATION ADMINISTRATION  
REVENUE ENHANCEMENT STUDY**

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residence. Typical purchases that require payment of use tax include those done while traveling (for things carried or sent home), through mail order, or purchases via telephone or internet.

Wet lease – a leasing arrangement whereby one air carrier (lessor) provides an aircraft, complete crew, maintenance, and insurance, to another carrier (lessee), who pays by the hours operated. The lessee provides fuel, covers airport fees and any other duties, taxes, etc. A wet lease generally lasts one month to two years, anything less would be considered an ad-hoc charter

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