Ohio Aviation Association

Aviation and Aerospace Investment Initiative

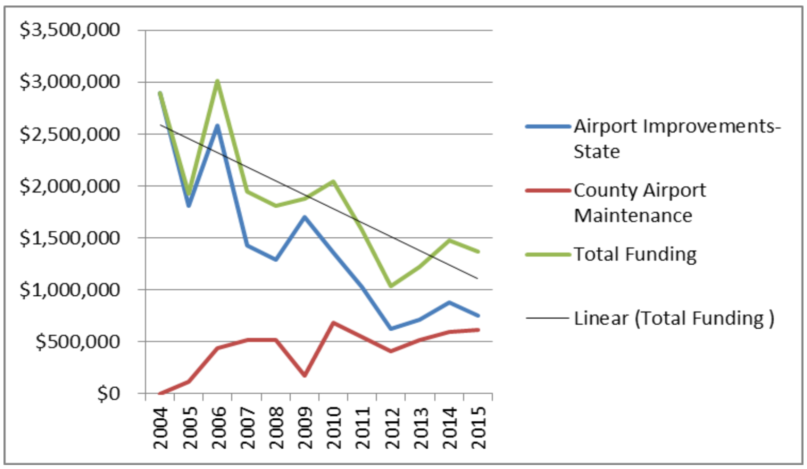
October 2015

Economic Significance of Aviation and Aerospace in Ohio

According to the Ohio Department of Transportation's (ODOT) Airport Focus Study the state has more than 104 public use airports that sustain over 123,000 jobs and generates $13.3 billion in economic activity every year. The aviation and aerospace sector accounts for 1 out of every 50 jobs in the state of Ohio. Through the state income, commercial activities, and sales & use taxes, airports contribute hundreds of millions each fiscal year to the General Revenue Fund (GRF). The sale of fuel used for general aviation purposes in Ohio generates $16 million a year for the GRF; total sales and use tax collections for General Aviation is over $30 million. In the next decade Ohio can lead the nation in private and public aviation transportation, unmanned aerial space (UAS) technology and NextGen navigation systems with a policy and vision for state investment by dedicating tax revenue generated by the industry to aviation and aerospace programming. OAA's proposal would allow Ohio to leverage millions in federal funds and drive economic development and job growth in and around Ohio airports.

Declining Investment in Ohio's Aviation Infrastructure

Although Ohio's aerospace and aviation industry creates and sustains hundreds of thousands of jobs and millions in tax revenue, our General Aviation airports struggle to remain competitive against airports with peer and neighboring states. The surrounding states of Pennsylvania, Michigan, Indiana, Kentucky and West Virginia all provide significant state funding and support to General Aviation airports, bringing in tens of millions a year in federal grants while creating more jobs and tax revenue than Ohio.



As you can see, GRF funding for airports (blue line) has dropped sharply. Until recently, of the tax revenue generated by aviation fuel sales, less than 5% is returned to the aviation industry. However, since the recently enacted state operating budget for FY16/17 aviation funding increased to $6 million per year. While this is a very positive step, Ohio aviation funding still stands in sharp contrast to other transportation sectors (cars, trucks, rail, and boats) where revenue from fuel sales is fully reinvested in infrastructure development. Other states also dedicate significant portions of tax revenue into airports, drawing down tens of millions in federal grants. Access to reliable airports is a major benefit for businesses looking to expand or relocate.

In addition to challenges with state funding and the tightening of local government budgets, Ohio airports have struggled to meet local match requirements for FAA Airport Improvement Program (AIP) grants. AIP awards grants through both an entitlement formula and a discretionary program. AIP grants require a 10% nonfederal match; per ODOT rules, current state funds cannot be used to meet local match requirements for AIP. According to the FAA's National Plan of Integrated Airport Systems, or NPIAS, Ohio airports will need an estimated $769.8 million in construction, development, and maintenance over the next five years. If this were to be paid for using AIP funds that would mean Ohio's airports and communities would need to raise $77 million between now and 2019. The use of state funds to leverage federal grants is critical to the success of Ohio's airports as economic drivers and centers of growth.

Leveraging Aviation Resources to Simulate Job Growth and Expand Aerospace Industry Activity

If we allow Ohio's aviation infrastructure to crumble, it will certainly erode the aviation employment base and affect the state of Ohio's competitive edge in the aerospace and aviation industry. Instead, OAA proposes to realign aviation fuel from the state sales tax to a new 18 cent per gallon excise tax. This rate is competitive with neighboring states, and would result in a modest tax cut for most aviation fuel users. This would generate new funding estimated at $10 million per year which would be invested fully in airport improvements, critical infrastructure and development of new aerospace technologies. This new aviation investment fund would be used for the following purposes:

- Leverage an additional $50 to 60 million annually in FAA AIP federal grants, creating a minimum of 15,768 construction jobs and an economic impact of $187,000,000.

- Provide incentives for NextGen equipped airlines and general aviation operators to base operations and/ or increase service presence in Ohio by implementing a statewide NextGen infrastructure strategy to become the first state in the country where every airport is NextGen capable.

- Provide incentives and funding to state universities and colleges for the growth of UAS technology and industry through a statewide comprehensive policy and funding program.

- Provide funding for job creation projects where airport infrastructure is needed to attract an employer or expansion project; this could be used along with other state funds dedicated to economic development.

The UAS global industry is projected to become a $94 billion industry by 2020 and the state of Ohio is well positioned to capture a large portion of the market. The US is estimated to account for 76% of worldwide research, development, test, and evaluation expenditures. Woolpert, a Dayton regional firm, just became one of four companies approved to fly UAS technology by the FAA. A strong state policy with funding support will create hundreds of jobs and millions of dollars in investment. This new reliable funding stream will bring in hundreds of millions in funding to Ohio in capital grant funding, research and development, manufacturing and more importantly jobs. Ohio's time is now to lead the nation in Aerospace and Aviation technology and development.

OAA Proposal and Request for Ohio's Future

In summary, aviation fuel would be exempt from the state sales tax and instead put under a new 18 cent per gallon excise tax. This is a similar tax structure to all other forms of transportation fuel. The shift from sales tax to a flat 18 cent per gallon tax will actually result in a modest tax cut for most end users of aviation fuel. This move will add more than $10 million per fiscal year into a new aviation investment fund. A new investment fund will replace the existing Ohio Airport Grant Program and will be used primarily for match support for Federal FAA grants. These grants require a 10% nonfederal match. Other fund uses include capital improvements, new technologies (UAS, NextGen), and other job creation and economic development projects.

In addition to returning existing grant funding to GRF (roughly $1 million), OAA proposes to repurpose aviation license and registration fees for the operation of ODOT's Office of Aviation. This will allow the state to provide full administrative and technical support to General Aviation airports across Ohio. Ohio was once a regional and national leader in the aviation sector; our state license plates still bear the saying, "Birthplace of Aviation." This new investment will create thousands of jobs and allow Ohio to regain its status as a regional, national, and international leader in aviation and aerospace. This proposal modernizes aviation fuel tax and creates a new, dedicated funding stream for aviation and aerospace economic growth.