Colorado Airport Operators Association

THE COLORADO AVIATION FUND

WHITE PAPER

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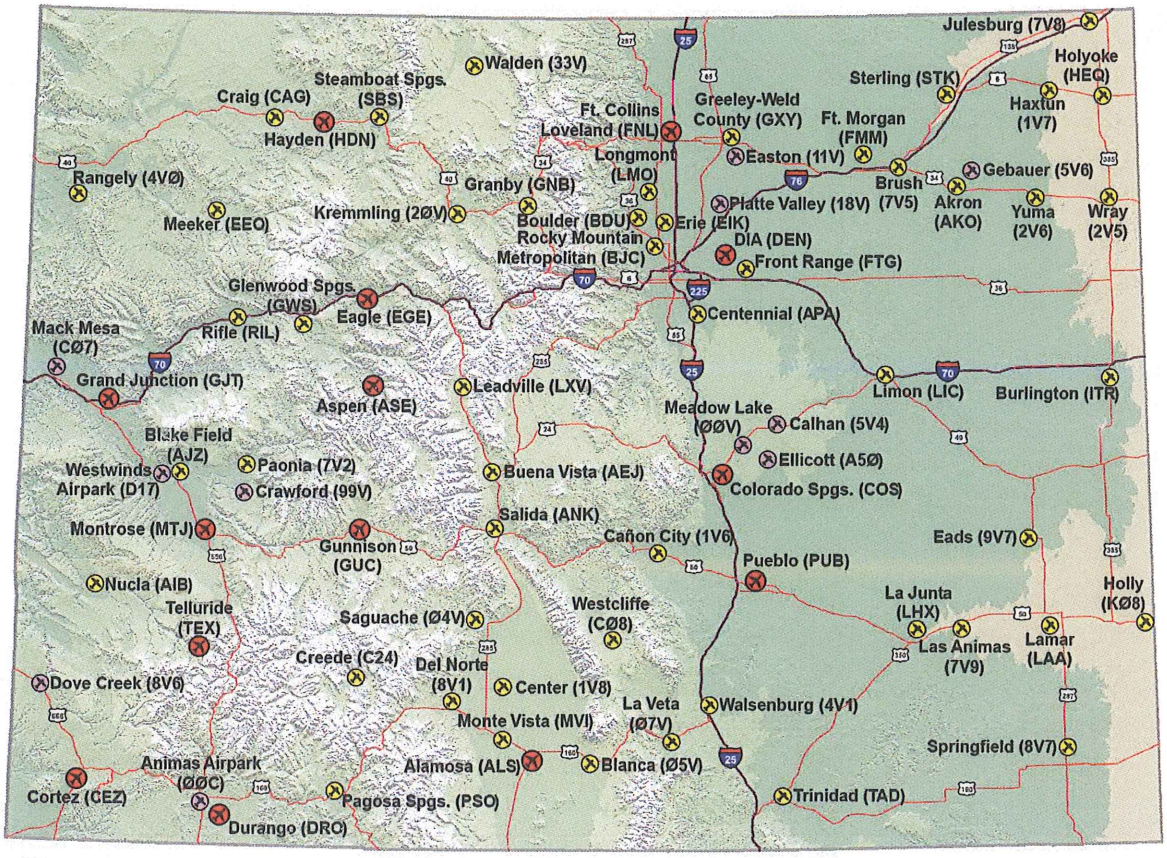
THE HISTORY

The State of Colorado was the last State in the Nation to establish a dedicated aviation branch of state government. In 1989 the Division of Aeronautics and the Colorado Aeronautical Board was created to support, develop and maintain the Colorado Aviation System through taxes collected on aviation fuel sold within the state. There are no general funds used to meet the needs within the Colorado Aviation System, the needs are funded solely through the taxes collected by those actually using the aviation system.

THE COLORADO AVIATION SYSTEM

Just like our surface transportation system which includes many different types of Interstates, State Highways and local roads, the aviation system is made up of many different sizes of airports that serve the various needs of the citizens of the state of Colorado. According to the 2008 Colorado Economic Impact Study, the Statewide aviation system is comprised of 14 commercial service airports and 62 general aviation airports which support **340,800 jobs** and have a combined annual economic impact of **$32.2 billion to the local, regional and statewide economy**. The importance aviation plays in the success of the Colorado economy is evident in our strong recreational, energy and business climates which directly benefit Colorado communities through direct access via their local airports to the nation and the world.

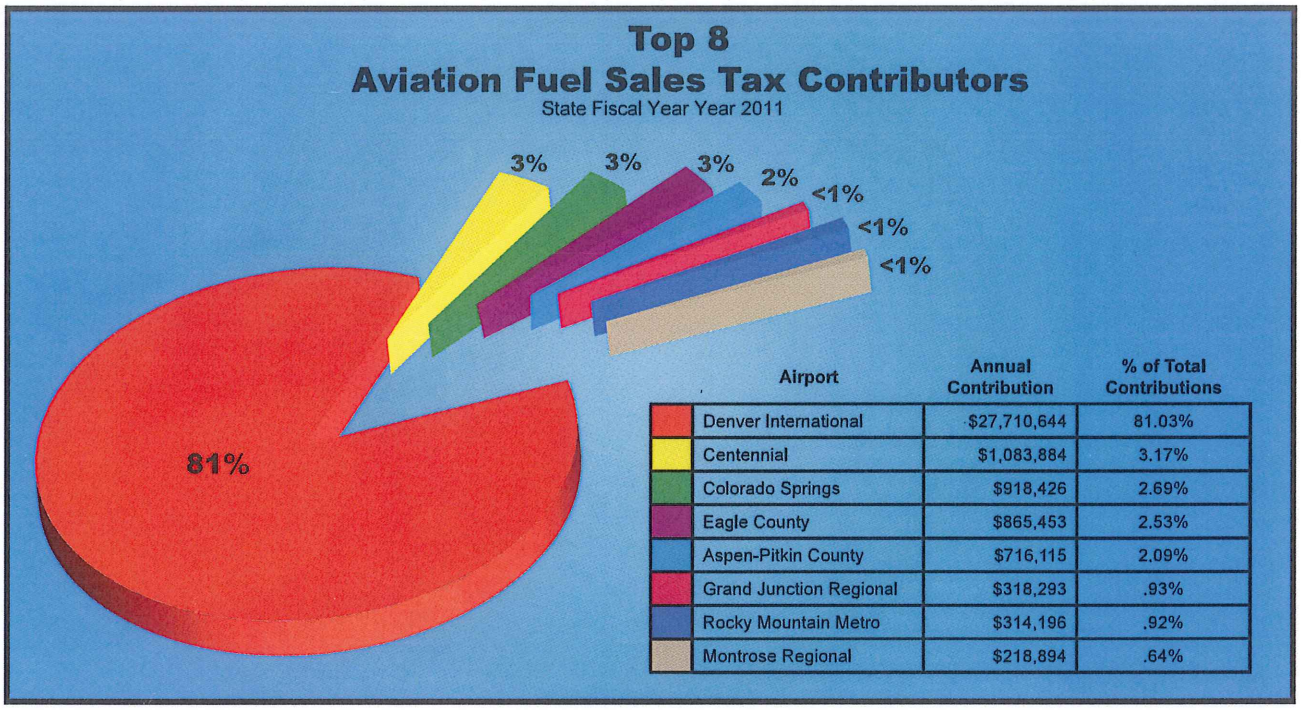
THE COLORADO AIRPORT SYSTEM



COLORADO AVIATION TAXES

There are two different taxes collected on aviation fuel; sales tax and excise tax. The excise tax on av-gas which is used by smaller propeller driven aircraft is 6 cents per gallon. The excise tax on jet fuel for privately-owned turbine aircraft is 4 cents per gallon. Commercial airlines are exempt from paying the excise tax. In 2011 excise taxes produced $1.3M which is roughly 4.5% of the total aviation fuel tax collected for the year.

The second type of tax on aviation fuel is a sales tax on the retail cost of jet fuel only, there isn't sales tax on av-gas. The state sales tax rate of 2.9% is paid by both airlines and private/business aircraft owners. In FY2011, sales tax on jet fuel produced $34.2M which is 95% of the total aviation fuel tax collected for the year. The following chart shows the largest producers of aviation fuel tax in FY2011.

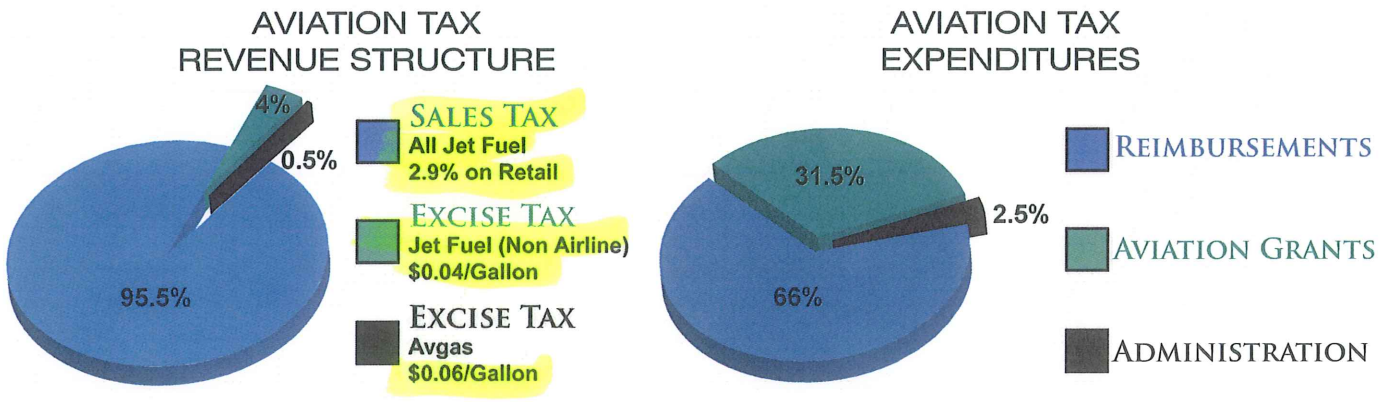


Airport	Annual Contribution	% of Total Contributions
Denver International	$27,710,644	81.03%
Centennial	$1,083,884	3.17%
Colorado Springs	$918,426	2.69%
Eagle County	$865,453	2.53%
Aspen-Pitkin County	$716,115	2.09%
Grand Junction Regional	$318,293	.93%
Rocky Mountain Metro	$314,196	.92%
Montrose Regional	$218,894	.64%

FUEL TAX REVENUES

Historically, 97% of revenues generated by the aviation fuel taxes are returned to the Aviation System and the local governments who own and operate Colorado airports. The revenues are returned to the airports in two ways. The first is fuel tax reimbursements, the second is discretionary aviation grants. Fuel tax reimbursements return $.04 of every gallon of excise tax and 65% of sales tax revenues directly to the airport sponsor to maintain, operate and to offset the cost of the day-to-day activities of the airport. Discretionary aviation grants are administered by CDOT to enhance the safety and condition of Colorado Aviation System.

In FY2011 $21.5 million was returned to Colorado airports in the form of fuel tax reimbursements, and $14 million was awarded in the form discretionary aviation grants. Additionally, $22 million of discretionary aviation grants were awarded FY2012. The administration costs for the Colorado Division of Aeronautics is legislatively capped at 5% of the total aviation fund. Today, administrative expenses



are less than 3%, providing maximum value and investment into aviation infrastructure throughout the state.

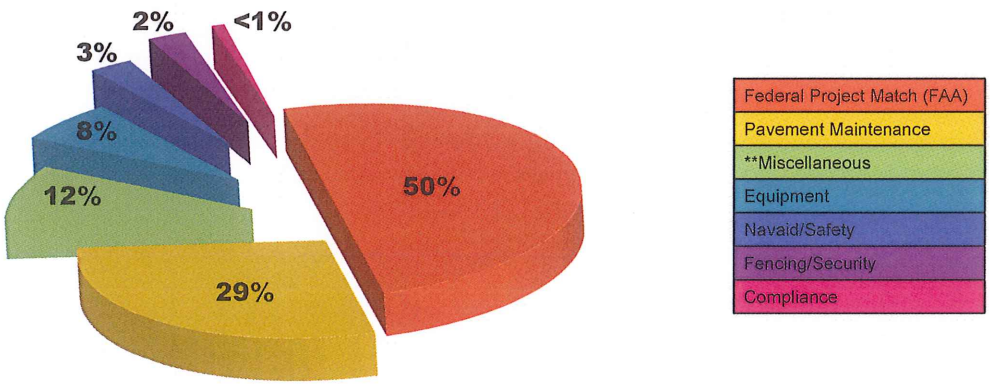
One of the primary uses for the grant program has been to assist local governments in matching FAA Airport Improvement Program (AIP) grants. Since the inception of the Colorado Discretionary Grant Program in 1992, CDOT has awarded over $90 million in discretionary aviation grants which was combined with local funds to leverage federal funds for a combined investment of over $900 million into the Colorado aviation system. The Colorado aviation system requires an average annual investment of $110 million in order to maintain and expand the current infrastructure to meet future demands on the system.

Aviation Grant Project History

1992-2012

Number of Projects	Project Type	CDOT Grant Total	Local Funds	FAA/Other Funds	TOTAL
388	Federal Match	$42,904,241.00	$51,880,909.00	$728,857,791.00	$823,642,941.00
256	Pavement Maint.	$24,965,960.00	$8,012,329.00	$4,273,801.00	$37,252,090.00
74	Equipment	$7,192,535.00	$6,664,816.00	$0.00	$13,857,351.00
62	**Miscellaneous	$11,415,521.00	$2,482,208.00	$210,500.00	$14,108,229.00
59	Navaid/Safety	$2,533,859.00	$1,193,400.00	$8,484,300.00	$12,211,559.00
38	Fencing/Security	$1,983,584.00	$564,450.00	$0.00	$2,548,034.00
28	Compliance	$654,495.00	$351,862.00	0.00	$1,006,357.00
TOTALS		**$91,650,195.00**	**$71,149,974.00**	**$741,826,392.00**	**$904,626,561.00**

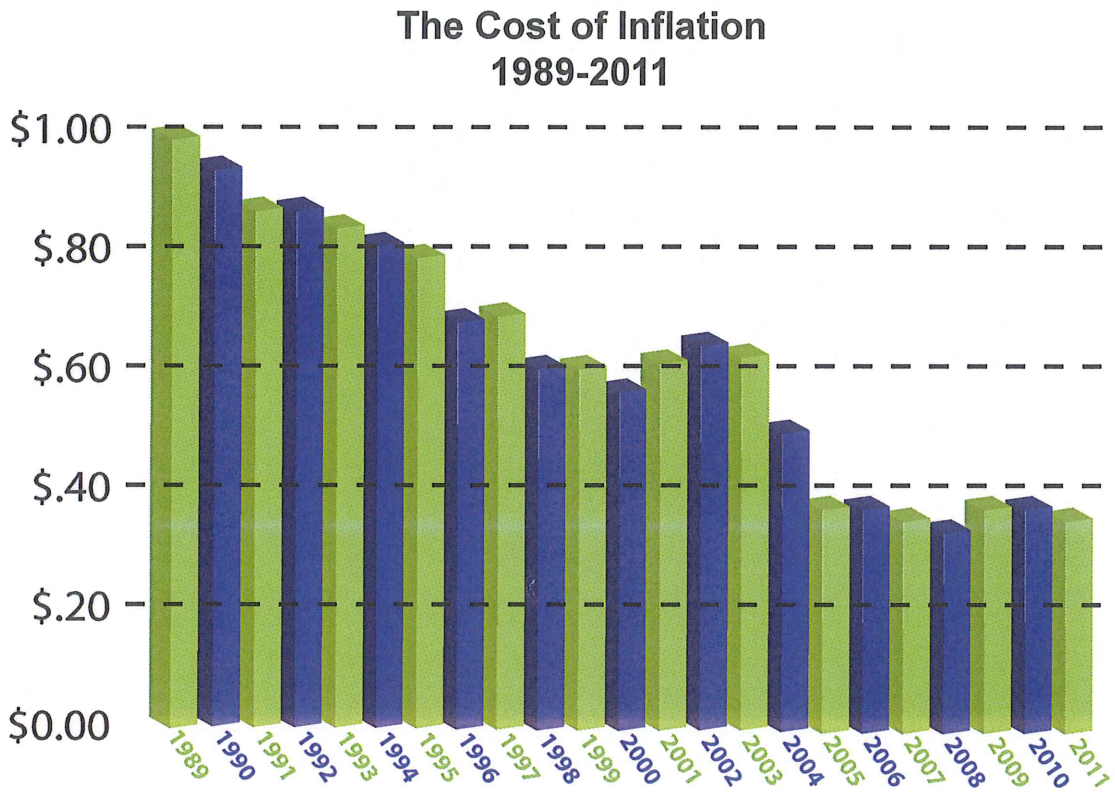
***Example of "Misc" includes: Planning, Education, Land Purchase, Airport expansion, etc.*



AVIATION FUNDING SHORTFALL

CDOT tracks the future needs of the transportation system through a comprehensive statewide five year plan updated annually. In addition, a long-range 20 year plan and outlook is developed every five years. The aviation infrastructures investments needed to meet the demands of the statewide aviation system according to the long-range plan is $2.2 billion, exclusive of Denver International Airport. The annual average investment required is $110 million for the 20 year planning period. Combined funding from CDOT and the Federal Aviation Administration is estimated around $65 million annually. The annual funding shortfall of $45 million is managed by prioritization of immediate needs through the planning process and shifting investments to future years as funding sources are identified and available. The funding gap is approximately $900 million during the current 20 year plan. The shortfall is widening as the cost of transportation infrastructure construction continues to grow, according to a 2007 study by the US Department of Transportation's Inspector General (source).

The situation in Colorado is no different as the Colorado Construction Cost Index published by CDOT has grown at an average annual rate of 6.4% from 1992 through 2005. Settling at a rate



SOURCE: http://www.coloradodot.info/business/eema/documents/2011/CCI11Q4annual.pdf/at_download/file

where an available dollar generated for investment in 2005 is worth 39 cents compared to 1992. Recent years, 2005 through 2011 have experienced a minimal increase due to the current economic condition, yet remain at 37 cents on a dollar compared to compared to 1992 dollars (chart.) Growing global demand for core construction materials, such as asphalt, concrete and steel, result in fewer projects being completed with available Federal, State, and Local resources.

STATE FUNDING

There is no single approach on how other States provide funding to their collective State Airport Systems. There are three basic ways to raise revenue: sales and use tax on aircraft, personal property tax on aviation assets, and fuel taxes. Colorado has choose the fuel tax to fund aviation in the state. There are also a number of states who support aviation infrastructure through general fund commitments. Colorado would be unable to invest in its infrastructure through the general fund due to TABOR and other constitutional restrictions.

Other State Aviation Fuel Tax

California	7.25%	
Indiana	7%	
Arkansas	6%	
Kentucky	6%	**Capped at $1M per user*
Michigan	6%	
Vermont	6%	
West Virginia	5%	
New Mexico	5%	**40% of the fuel sold for commercial use is rebated back to the user*
Missouri	4.2%	**Airlines are capped at $1.5M per calendar year*
Louisiana	4%	
North Carolina	4%	**Airlines are capped at $2.5M per calendar year*
Georgia	4%	**Airlines are capped at $15M*
Hawaii	4%	

The States of Florida, Georgia, Hawaii, Arkansas, Connecticut, Kentucky, Michigan, Kansas, New Hampshire, New Mexico, New York, North Dakota, Ohio, West Virginia, Wisconsin and Wyoming fund aviation through State General Fund appropriations and/or state DOT funds.

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Operators Association

For further information please visit
www.coloradoairports.org