

Memorandum

To: CHAIR AND COMMISSIONERS
CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: December 9-10, 2015

Reference No.: 4.11
Action Item

From: NORMA ORTEGA
Chief Financial Officer

Prepared by: Steven Keck, Chief
Division of Budgets

Subject: UPDATED 2016 AERONAUTICS ACCOUNT FUND ESTIMATE ASSUMPTIONS - 2015-16 LOCAL AIRPORT LOAN ACCOUNT TRANSFER REQUEST

RECOMMENDATION:

The California Department of Transportation (Department) recommends that the California Transportation Commission (Commission) approve the updated assumptions for the 2016 Aeronautics Account Fund Estimate, and to approve the transfer of \$1.3 million from the Local Airport Loan Account (LALA) to the Aeronautics Account for the California Aid to Airports Program (CAAP).

ISSUE:

The 2016 Aeronautics Account Fund Estimate constrains CAAP funding for Fiscal Year 2015-16 to \$1 million for the Airport Improvement Program (AIP) and \$1.3 million for Acquisition & Development (A&D). The Federal Aviation Administration (FAA) annually publishes a list of all federal AIP grants awarded to California Airports. After reviewing the list of eligible 2015-16 projects, it was determined that an additional \$1.5 million is needed to fully fund the CAAP AIP for 2015-16. In addition, should the transfer be approved, program changes will be brought forward for Commission action that would increase the A&D program from \$1.3 million to \$2.5 million.

Section 21602(f)(2) of the Public Utilities Code allows for a transfer of funds from the LALA to the Aeronautics Account with the approval of the Commission and the Department of Finance. Transfers must be used to fund the CAAP, and shall not reduce the LALA balance below \$5 million dollars. The current LALA balance is approximately \$18.5 million.

The 2016 Aeronautics Account Fund Estimate Assumptions have been updated to reflect the proposed \$1.3 million transfer for 2015-16. In addition, the Assumptions include an annual transfer of \$4 million from the LALA for future years over the fund estimate period.

BACKGROUND:

The Department's Division of Aeronautics allocates funds through the CAAP, which includes three separate grant programs; the Annual Credit grant, AIP grant, and the A&D grant. The Annual Credit grant program provides \$10,000 per year to eligible publicly-owned General Aviation (GA) airports.

The second statutory priority is the state's AIP match, which is required for the federal AIP grant. This program provides state match funding of five percent of the federal grant amount to eligible GA airports. Finally, the A&D grant program provides grants to eligible publicly-owned GA airports for 90 percent of project costs, subject to cash availability after funding the previous two grant aid programs.

In order to fully fund the CAAP for 2015-16, a transfer of \$1.3 million from the LALA to the Aeronautics Account is necessary.

Attachment



2016 AERONAUTICS ACCOUNT FUND ESTIMATE ASSUMPTIONS

PREPARED BY
THE DEPARTMENT OF TRANSPORTATION
DIVISION OF BUDGETS

AERONAUTICS ACCOUNT ASSUMPTIONS

Aeronautics Revenues

Aero 1. *The 2016 Aeronautics Account FE will display the beginning balance in the Aeronautics Account as of July 1, 2015.*

Aero 2. *Projected revenues for excise taxes on aviation gasoline and jet fuel will be based on historical transfers from the Motor Vehicle Fuel Account. The Department forecasts aviation gasoline excise tax revenues to increase by approximately 3 percent, and jet fuel excise tax revenues to decrease by approximately 1 percent throughout the FE period.*

Aero 3. *The FE will display SMIF interest income based on the projected year ending cash balance of the Aeronautics Account as of June 30, 2015.*

Aero 4. *Federal Trust Fund (FTF) resources represent federal reimbursement authority for various aviation activities completed by the Division of Aeronautics. Based on the DOF's price letter, FTF will be escalated by 2.2 percent per year for 2016-17 through 2019-20.*

Aero 5. *Section 21682.5 of the Public Utilities Code requires an annual transfer equal to the pro rata share of transportation duties attributable to aviation planning and research from the Aeronautics Account. This amount is projected to remain constant at \$30,000 in each year of the FE.*

Aeronautics Expenditures

Aero 6. *The annual funding provided to 149 publicly-owned, public use and eligible General Aviation airports through the Annual Credit grant program will remain at the same level of \$10,000 per year for each qualified airport over the FE period.*

Aero 7. *The Airport Improvement Program (AIP) match in 2016-17 is based on the Aeronautics Program adopted in 2014. The AIP match is assumed to remain at a rate of 5 percent over the remainder of the FE period.*

Aero 8. *Before adding to Acquisition & Development (A&D) capacity, resources must first fund the California Aid to Airports' AIP Matching Grant Program and Annual Credit Grant Program. The Commission will allocate all ending cash balances available for programming during the FE period, which may include funding for A&D. The 2014 Aeronautics Program included a list of A&D projects scheduled for funding through 2016-17. The Commission will determine future A&D projects when it adopts the next three-year Aeronautics Program.*

Aero 9. *State operations include staffing for aeronautics and planning activities. State operations will display expenditures authorized in the 2015-16 Budget Act. Based on the DOF's price letter, state operations will be increased by 2.2 percent per year for 2016-17 through 2019-20.*

Aero 10. *The Federal Aviation Administration (FAA) recently amended a policy regarding proceeds attributed to aviation fuels, specifying that revenues derived from aviation gas and jet fuel must be allocated for airport related projects. Multiple state departments are collaborating to analyze the impact of this updated policy. The 2016 FE assumes no change to the disposition of aviation fuel taxes.*

Aero 11. *Section 21602(f)(2) of the Public Utilities Code authorizes transfers from the Local Airport Loan Account (LALA) to the Aeronautics Account in order to fund the California Aid to Airports Program, subject to the approval of Department of Finance and the Commission. Transfers may not decrease the LALA fund balance below \$5.0 million. The 2016 Aeronautics Account FE assumes a transfer in the amount of \$1.3 million in 2015-16, followed by annual transfers of \$4.0 million from 2016-17 to 2019-20.*