

AMENDED IN SENATE APRIL 14, 2015

AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 747

Introduced by Senator McGuire
(Coauthor: Assembly Member Wood)

February 27, 2015

An act to amend Sections 21682, 21683.1, and 21683.2 of, and to add Sections 21682.1 and 21682.2 to, add Section 21689 to the Public Utilities Code, and to add Section 7102.1 to the Revenue and Taxation Code, relating to airports, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 747, as amended, McGuire. Airports: financial assistance.

The State Aeronautics Act establishes the Aeronautics Account in the State Transportation Fund, and continuously appropriates the moneys in the account for expenditure for airport purposes by the Division of Aeronautics within the Department of Transportation and the California Transportation Commission.

The act requires the department to establish individual revolving fund subaccounts for eligible airports in the Aeronautics Account, permits the department to advance funds to the subaccount of an individual airport, and requires the department to credit from the Aeronautics Account to each public entity owning and operating an airport or airports under a valid permit issued by the department which has not been designated by the Federal Aviation Administration as a reliever airport or a commercial service airport, the sum of \$10,000 annually for each qualifying airport.

This bill would revise and recast these provisions to instead increase this amount to \$30,000 annually for each airport that has been designated

by the Federal Aviation Administration as a reliever airport, a commercial service airport, a general aviation airport, or an airport certified under specified federal regulations. The bill would also credit annually from the Aeronautics Account additional sums for large, medium, and small nonhub airports, as defined, and for nonhub commercial airports, small hub commercial airports, medium hub commercial airports, and large hub commercial airports. The bill would provide that if a commercial airport is ineligible to receive an annual credit, the annual credit shall be divided among remaining commercial airports.

This bill would require that the revenues from the imposition of state sale and use taxes, at the rate of 4.1875%, on the sale, storage, use, or other consumption of aviation fuel, as defined, be transferred to the Aeronautics Account for allocation in specified percentages to airports and for aviation-related purposes.

The bill would require the department division to set aside \$10,000,000 each fiscal year allocate 27% of these revenues for grants to be made available for nonhub airports commercial airports, as defined, with less than 300,000 enplanements annually to attract, establish, and expand air service through incentives, marketing, passenger studies, route analysis, and the acquisition of consultants, as specified. The bill would also require the department division to provide at least \$150,000 1% of these revenues annually in specified grants for aviation education. By increasing the sources of funding for and expanding the purposes for which money may be used from a continuously appropriated fund, the Aeronautics Account, the bill would make an appropriation.

Existing law establishes the California Aid to Airports Program under which the department provides grants to political subdivisions for the planning, acquisition, construction, improvement, maintenance, or operation of a publicly owned airport, and to cities or counties on behalf of any privately owned, public use airport, as specified.

This bill would appropriate \$36,250,000 from the General Fund to the Division of Aeronautics for purposes of funding the update, adoption, and administration of programs within the California Aid to Airports Program.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. (a) *The Legislature finds and declares all of the*
2 *following:*

3 (1) *It is the intent of the Legislature to return state sales and*
4 *use tax revenue on aviation fuels to the Division of Aeronautics*
5 *of the Department of Transportation, as directed by the Federal*
6 *Aviation Administration (FAA) in “Policy and Procedures*
7 *Concerning the Use of Airport Revenue” (Docket No.*
8 *FAA-2013-0988) to operate the California Aid to Airports*
9 *Program (Chapter 4 (commencing with Section 4050) of Title 21*
10 *of the California Code of Regulations).*

11 (2) *The directive of the FAA requires that, by January 1, 2018,*
12 *all airport revenues, including state sales taxes, shall be used for*
13 *aviation-related purposes or for a state aviation program.*

14 (3) *The intent of this act is to begin the process of transitioning*
15 *the state into compliance with the FAA directive by allocating*
16 *revenues of state sale and use taxes on aviation fuel to the*
17 *Aeronautics Account in order to provide financial assistance to*
18 *the state’s airports and state aviation programs.*

19 SEC. 2. Section 21689 is added to the Public Utilities Code,
20 *to read:*

21 21689. (a) *Notwithstanding the provisions of this article, from*
22 *the funds deposited into the Aeronautics Account in the State*
23 *Transportation Fund pursuant to Section 7102.1 of the Revenue*
24 *and Taxation Code, the Division of Aeronautics shall allocate*
25 *annually to eligible recipients the following percentages of*
26 *available funds for airports and aviation-related purposes:*

27 (1) *Twelve percent for qualifying general aviation airports, to*
28 *be credited to individual airport subaccounts in a manner*
29 *consistent with the process established in Section 21682.*

30 (2) *Forty percent to be divided among large, medium, and small*
31 *hub commercial airports and nonhub commercial airports, each*
32 *as defined in Section 47102 of Title 49 of the United States Code,*
33 *in the following percentages:*

- 34 (A) *Twenty-one percent for nonhub commercial airports.*
35 (B) *Thirty-one percent for small hub commercial airports.*
36 (C) *Fourteen percent for medium hub commercial airports.*
37 (D) *Thirty-four percent for large hub commercial airports.*

1 (3) Twenty-seven percent for grants to be made available to
2 nonhub commercial airports with less than 300,000 enplanements
3 annually to attract, establish, and expand air service through
4 incentives, marketing, passenger studies, route analysis, and the
5 acquisition of consultants. Expenditures under this paragraph
6 shall be consistent with the Federal Register, Volume 64, Number
7 30, on February 16, 1999.

8 (4) One percent to provide grants for aviation education that
9 includes, but is not limited to, programs, projects, or initiatives
10 that improve or enrich aviation within the California aviation
11 community. Grants may include, but are not limited to, scholarships
12 for flight training and aviation-related degrees from accredited
13 universities. Priority for grants shall be given to underrepresented
14 students, women, veterans, and persons of low-income, as defined
15 in Section 3413 of the Health and Safety Code.

16 (5) Fifteen percent for other state aviation programs and
17 aviation-related purposes as authorized pursuant to this article.

18 (6) Not more than 5 percent for the division's administrative
19 costs. Any unused funds shall be allocated pursuant to paragraphs
20 (1) to (5), inclusive, on a pro-rata basis.

21 (b) Sections 21686 to 21688, inclusive, shall apply to allocations
22 of funds pursuant to this section.

23 SEC. 3. Section 7102.1 is added to the Revenue and Taxation
24 Code, to read:

25 7102.1. (a) Notwithstanding Section 7102, revenues in the
26 fund, less refunds, derived under this part from the imposition of
27 state sales and use taxes pursuant to Sections 6051, 6051.3, 6201,
28 and 6201.3, at the rate of 4.1875 percent, with respect to the sale,
29 storage, use, or other consumption of aviation fuel shall be
30 transferred to the Aeronautics Account in the State Transportation
31 Fund for allocation to airports and aviation-related purposes in
32 accordance with Section 21689 of the Public Utilities Code.

33 (b) As used in this section, "aviation fuel" means jet fuel and
34 aviation gasoline.

35 SECTION 1. Section 21682 of the Public Utilities Code is
36 amended to read:

37 21682. (a) The department shall establish individual revolving
38 fund subaccounts for eligible airports in the Aeronautics Account
39 in the State Transportation Fund. Money payable under this section

1 shall be credited to individual airport subaccounts annually, and
2 may be accumulated for a maximum period of five years.

3 (b) (1) The department shall, subject to Section 21684, credit
4 from the Aeronautics Account to each public entity owning and
5 operating an airport or airports under a valid permit issued by the
6 department for every airport which has been designated by the
7 Federal Aviation Administration as a general aviation airport, as
8 defined in Section 47102(8) of Title 49 of the United States Code,
9 a reliever airport, as defined in Section 47102(23) of Title 49 of
10 the United States Code, a commercial service airport, as defined
11 in Section 47102(7) of Title 49 of the United States Code, or an
12 airport with certification from the Federal Aviation Administration
13 under Part 139 of Title 14 of the Code of Federal Regulations, in
14 the following annual amounts:

15 (A) The sum of thirty thousand dollars (\$30,000) annually for
16 each qualifying general aviation airport.

17 (B) The sum of seventeen million two hundred fifty thousand
18 dollars (\$17,250,000) to be divided among large, medium, and
19 small nonhub airports, as defined in Section 47102 of Title 49 of
20 the United States Code.

21 (C) The sum of two hundred fifty thousand dollars (\$250,000)
22 for each nonhub commercial airport, the sum of five hundred
23 thousand dollars (\$500,000) for each small hub commercial airport,
24 the sum of seven hundred fifty thousand dollars (\$750,000) for
25 each medium hub commercial airport, and the sum of one million
26 dollars (\$1,000,000) for each large hub commercial airport, as
27 defined in Section 47102 of Title 49 of the United States Code.

28 (2) If a commercial airport is ineligible to receive an annual
29 credit, because it does not meet the requirements of Section 21684,
30 the annual credit of that airport shall be divided among the
31 remaining commercial airports, as defined in Section 47102 of
32 Title 49 of the United States Code.

33 (3) The funds credited pursuant to paragraph (1) shall be paid
34 to public entities upon request for expenditure on preapproved
35 eligible projects. Eligible public entities may submit applications
36 for the withdrawal of credited funds for expenditure on proposed
37 projects in letter form to the department for review and approval.
38 Projects identified shall be for airport and aviation purposes and
39 operation and maintenance purposes. No payment made under this
40 section is transferable, but shall be expended only upon the airport

1 for which the payment is made, unless the department authorizes
2 a payment to be transferred for expenditure on another airport.
3 The department may establish any accounting systems it deems
4 necessary to provide for the accumulation and expenditure of funds
5 under this subdivision.

6 (e) If, in any year, there is insufficient money in the Aeronautics
7 Account to make the credits specified in subdivision (b), the
8 department shall, subject to Section 21684, credit to each public
9 entity subaccount an amount which is equal to the total amount of
10 money in the Aeronautics Account multiplied by a percentage
11 equivalent to the proportion which the airport or airports of the
12 public entity for which credit is required to be made pursuant to
13 subdivision (b) bear to the total number of airports for which credit
14 is required to be made pursuant to subdivision (b).

15 (d) No payment shall be made under this section to any public
16 entity for any airport on which general or commercial aviation
17 activities are substantially restricted if the airport is licensed to
18 conduct these activities by the department. The department shall
19 determine whether or not general or commercial aviation activities
20 are restricted.

21 (e) The department shall adopt rules and regulations and
22 establish procedures to effect prompt payment to public entities
23 for eligible airport projects from money credited pursuant to this
24 section.

25 SEC. 2. Section 21682.1 is added to the Public Utilities Code,
26 to read:

27 21682.1. The department shall, subject to Section 21684, set
28 aside ten million dollars (\$10,000,000) each fiscal year from the
29 Aeronautics Account for grants to be made available for nonhub
30 airports with less than 300,000 enplanements annually to attract,
31 establish, and expand air service through incentives, marketing,
32 passenger studies, route analysis, and the acquisition of consultants.
33 Expenditures under this section shall be consistent with the Federal
34 Register, Volume 64, Number 30, on February 16, 1999.

35 SEC. 3. Section 21682.2 is added to the Public Utilities Code,
36 to read:

37 21682.2. The department shall, subject to Section 21684,
38 provide grants for aviation education which includes, but is not
39 limited to, programs, projects, or initiatives that improve or enrich
40 aviation within the California aviation community. Grants may

1 include, but are not limited to, scholarships for flight training and
2 aviation-related degrees from accredited universities. Priority for
3 grants shall be given to underrepresented students, women,
4 veterans, and persons of low-income as defined in Section 3413
5 of the Health and Safety Code. The funding for aviation education
6 grants under this section shall be no less than one hundred fifty
7 thousand dollars (\$150,000) annually.

8 SEC. 4. Section 21683.1 of the Public Utilities Code is
9 amended to read:

10 21683.1. (a) At the discretion of the commission, any balance
11 remaining in the Aeronautics Account, after the payments made
12 under Section 21682, may be used to provide a portion of the local
13 match for federal Airport Improvement Program grants. Matching
14 shall be provided only for grants at general aviation airports, as
15 defined in Section 47102(8) of Title 49 of the United States Code,
16 or at airports that have been designated by the Federal Aviation
17 Administration as reliever airports, as defined in Section 47102(23)
18 of Title 49 of the United States Code.

19 (b) Funds shall not be allocated by the commission until the
20 federal grant offer is accepted by the public entity. Upon allocation
21 by the commission, the department may pay a public entity an
22 amount equal to 5 percent of the amount of a federal Airport
23 Improvement Program grant. These funds are excluded from the
24 requirements of Section 21684.

25 (c) Funds shall not be allocated by the commission until the
26 federal grant offer is accepted by the public entity.

27 SEC. 5. Section 21683.2 of the Public Utilities Code is
28 amended to read:

29 21683.2. Any balance remaining in the Aeronautics Account,
30 after the payments made under Sections 21682, 21682.1, 21682.2,
31 21682.5, 21683, and 21683.1, shall be used at the discretion of the
32 commission for airport and aviation purposes subject to the
33 provisions of Section 21684.

34 SEC. 6. The sum of thirty-six million two hundred fifty
35 thousand dollars (\$36,250,000) is hereby transferred from the
36 General Fund to the Aeronautics Account and, notwithstanding
37 Section 21680 of the Public Utilities Code, is appropriated to the
38 Division of Aeronautics within the Department of Transportation
39 for purposes of funding the update, adoption, and administration
40 of programs within the California Aid to Airports Program

1 (CAAP). Not more than 5 percent of these moneys may be used
2 by the Division of Aeronautics for the cost of administering these
3 programs.

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