

Senate Fiscal Agency  
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**SFA**



**BILL ANALYSIS**

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Senate Bills 1194 and 1195 (as passed by the Senate)  
Sponsor: Senator Joel D. Gougeon (S.B. 1194)  
Senator Walter H. North (S.B. 1195)  
Committee: Finance

Date Completed: 4-20-00

### **RATIONALE**

The State Aeronautics Fund, created in the Aeronautics Code, currently receives all money from aviation fuel taxes, licensing of aviation schools, airports, landing fields, airport managers, registration of aircraft and airmen, and the operation of State-operated airports, landing fields, and other aeronautic facilities. The Fund also receives Federal distributions. Appropriations from the Fund are made each year in the Michigan Department of Transportation budget for the Bureau of Aeronautics, and through the Capital Outlay budget for airport improvement projects. The Bureau of Aeronautics, in the Department, is funded entirely by distributions from the Fund, and receives no General Fund/General Purpose money. In FY 1999-2000, the Bureau was appropriated \$7.9 million from the Fund. The Capital Outlay budget included \$4 million for airport improvement projects in FY 1998-99, and \$2 million in FY 1999-2000. (Of the money appropriated for projects, actual expenditures for various projects are determined by the Aeronautics Commission.) Some people believe that the money available for airport improvements needs to be increased, so that more airports across the State can undertake necessary projects. It has been suggested that a portion of sales and use taxes levied on sales related to airports and aircraft be dedicated to airport improvement projects.

### **CONTENT**

Senate Bill 1194 would amend the General Sales Tax Act, and Senate Bill 1195 would amend the Use Tax Act, to dedicate a portion of the taxes to airport improvement projects.

The bills provide that in each fiscal year (FY) following FY 1999-2000, 25% of the collections of the taxes imposed at the rate of 4% directly or indirectly on fuels sold to propel aircraft, the sale of aircraft, aircraft rentals, the sale of aircraft parts and accessories, and all sales at airport concessions, including motor vehicle rentals located at airports,

would have to be deposited each year into the State Aeronautics Fund to be used for airport capital improvements projects.

MCL 205.75 (S.B. 1194)  
205.111 (S.B. 1195)

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Airports provide a vital link in transporting people and products from locations throughout the world to areas all over the State. Airports need to have proper, safe facilities to accommodate the arrival and departure of passengers and freight. Many of the State's airports could benefit from initial, or increased, funding for improvement projects, which would enhance the ability of those locations to accept and attract more and better aircraft service. By dedicating to the Aeronautics Fund a portion of the sales and use taxes generated by economic activity at airports, the bills would provide a logical way to increase the funding available for airport projects. Appropriations for the Bureau of Aeronautics would not be affected, since the increased funding for projects would come from sales and use tax revenue, rather than the present sources of revenue to the Aeronautics Fund.

Legislative Analyst: G. Towne

### **FISCAL IMPACT**

The earmarking of a portion of aviation-related sales tax revenue, as proposed in these bills, would move an estimated \$10.5 million in FY 2000-01 and \$10.9 million in FY 2001-02 from the General Fund to the Aeronautics Fund. The additional earmarking of aviation-related sales tax revenue, as proposed in

Senate Bill 1194, would increase the earmarking of aviation-related sales tax collections to over 100%. Currently, 97.5% of all sales tax revenue, including the revenue derived from the aviation-related sales identified in this bill, is earmarked for special purposes (i.e., 73.3% of sales tax revenue is earmarked to the School Aid Fund and 24.2% is earmarked to local revenue sharing). Of the remaining 2.5% of sales tax collections, a portion of the collections from motor vehicle-related sales goes to the Comprehensive Transportation Fund (CTF), \$9 million goes to a special health fund, and all remaining sales tax revenue goes to the General Fund. This bill would earmark another 16.7% of total aviation-related sales tax collections, which would increase the percentage of aviation-related sales tax collections earmarked for special purposes to 114.2%. As a result, the General Fund's share of sales tax collections from other than aviation-related sales would have to be reduced. A similar, but smaller overearmarking already exists with the motor vehicle sales tax revenue earmarked to the CTF.

Fiscal Analyst: J. Wortley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.