



MEMORANDUM

To: Chris Sieklucki

From: Matt Solak

Date: December 13, 2019

Re: MAAE Year End Legislative Report

Overall State Issues

Session

On December 12th, the Legislature adjourned for the 2019 calendar year. Much of the year was highlighted by the successful effort to reform Michigan's auto no-fault insurance law, the impasse over the state budget and the failure to come to an agreement over a long-term roading solution. As Michigan has a two-year session cycle current bills will not need to be reintroduced in 2020 and everything currently being considered is still "alive" moving into the new year.

State Budget

On September 30th, Governor Whitmer line-item vetoed \$947 million from the Republican Legislature's passed budget. The Governor listed numerous reasons for the vetoes including what she described as a structurally unsound and non-negotiated budget.

Much of October, November and early December was focused on negotiations to restore funding for the vetoed items. When negotiations were finalized \$573.5 million of the cuts were restored. Most notably funding that was not restored included:

- \$375 million in General Fund money for roads
- \$100 million for the Governor's Michigan Reconnect program
- \$37 million for Pure Michigan

Work will begin in earnest on the budget for next fiscal year after the Governor's budget presentation in February.

Airport Issues

State Budget

In the Legislature's passed budget \$15 million of the \$120 million set aside for combating PFAS & emerging contaminants was earmarked toward helping municipal airports that used the fire-fighting foam. This \$15 million was line item vetoed by the Governor in October. The finalized budget agreement earmarked \$4 million of this \$15 million to municipal airports. This funding is in addition to other funding available to airports and is not considered a loss of expected revenue by the State Aeronautics Office.

Earlier in the budget process the House of Representatives passed a budget with a \$1 million dollar reduction in funding for State Aeronautics programs. The justification for the reduction was that the budget included boiler plate language that called for selling the state-owned airports and state-owned airplanes. The House budget reflected a position that State Aeronautics should see a reduction because there would no longer be any operational expenses associated with these assets. MAAE began working the issue on behalf of airports. The State Aeronautics Office confirmed that the Department was not spending \$1 million per year to maintain these assets. MAAE began meeting with legislative leaders and Governor Whitmer's office on the issue to express the MAAE's opposition to the budget reduction. MAAE indicated that even if the state-owned airports and assets were sold that this money should be allocated to other aeronautics purposes due to the current underfunding of aeronautics programs. The final MDOT budget did not include the \$1 million dollar reduction. MAAE's lobbyist will continue to monitor this issue moving into the next budget cycle.

Peer-to-peer Carsharing

MAAE has been approached by Enterprise Rental Cars on the issue of peer-to-peer carsharing service companies. There are a few including Turo, Getaround and Maven. Peer-to-peer carsharing (also known as person-to-person carsharing and peer-to-peer car rental) is the process whereby existing car owners make their vehicles available for others to rent for short periods of time. These companies are attempting to offer rental car services for substantially less than traditional rental car companies.

According to Enterprise these companies are operating at DTW and GRR without a service agreement and in likely violation of the airport's ground transportation regulations. Enterprise is concerned that these companies will eat into their market share of rentals at airports and thus result in airports seeing a reduction in fees they collect from rental car companies operating on airport property.

MAAE worked previously on a similar issue when Lyft and Uber wanted to operate on airport property without complying with any type of ground transportation agreement with airports or any payment to the airport like other ground transportation companies.

If members are aware of any companies operating at airports in violation of ground transportation agreements please notify MAAE leadership.

Aviation Funding

MAAE continues to work on a long-term funding solution for airports. In September, the Legislative Director for the House Speaker indicated the Speaker supports including MAAE's aviation funding proposal as part of any road funding package. The suggested proposal was to exempt sales and use tax on aviation fuel and increase the excise tax or another tax to the current tax equivalent rate. This would generate approximately \$17 million more per year for State Aeronautics programs. Currently, fuel taxes are generating \$13.8 million which is split between the SAF and the QAF. The proposal would not increase taxes on an user of the airport system but would rather collect the current amount of taxes being paid and make sure the revenue is directed for airport purposes. There is a long way to go on this issue as the road funding negotiations have stalled but this is the first time the MAAE has received commitment from a Speaker of the House to include aviation funding as part of the larger funding solution. In previous years MAAE has always been told that airport funding will come after road funding.

Use and Sales Tax Exemptions for Certain Aviation Equipment

Representatives Kahle and Byrd have reintroduced two bills that would amend the Use Tax Act and General Sales Tax Act to provide use and sales tax exemptions for parts or materials affixed or to be affixed to all aircraft, except for shop equipment and fuel.

The bills would reduce sales and use tax revenue by approximately \$4.0 million per year, based on estimates from the Michigan Department of Treasury. How the impact would be split between sales tax revenue and use tax revenue is unknown. Approximately 73.3% of sales tax revenue is directed to the School Aid Fund, while constitutional revenue sharing to local units receives 10%, and the remainder is directed to the General Fund.

The legislation is supported by the Aerospace Services and Products, Inc., AOPA, Pentastar Aviation, Wayne County Airport Authority, Northern Jet Management, Delta Airlines and the Michigan Chamber of Commerce. The legislation was opposed by the Michigan Department of Treasury and school groups. Governor Snyder voted these bills in 2018. It is unknown what the position of the current administration is although it is assumed Governor Whitmer would not be supportive due to the loss of revenue in other areas.

PFAS Clean up Liability

The MAAE continues to monitor any legislation that would place an undue burden on airports on costs associated with the clean up of PFAS on airport or adjacent property.