

## Minnesota Aeronautics Programs and Funding

Minnesota's aeronautics system consists mainly of local, publicly owned airports throughout the state. Funding comes from state taxes on aviation fuel, aircraft registration, and airline property, along with federal grants. The Minnesota Department of Transportation (MnDOT) provides technical assistance and administers grants to local airports for construction and maintenance of airport facilities. MnDOT also performs other aviation-related activities, including registering aircraft and licensing airports.

### *Minnesota's aeronautics system*

Minnesota's state-funded aeronautics system consists of 135 airports throughout the state, eight of which provide scheduled commercial flights. The Metropolitan Airports Commission operates the Minneapolis/St. Paul Airport along with six reliever airports located throughout the Twin Cities metropolitan area. In Greater Minnesota, airports are typically owned by a city, although owners include city/county partnerships, airport authorities, and townships.

### *Revenue from dedicated taxes*

Minnesota has three main sources of state aeronautics funding, each of which is a tax on an aviation-related activity. The revenues, combined with interest and other sources, totaled \$18.8 million in fiscal year 2011.

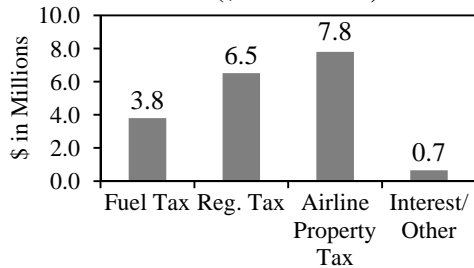
**Aviation fuel tax.** The aviation fuel tax applies to fuel used in aircraft. The tax rate declines as more fuel is purchased. [Minn. Stat. § 296A.17](#). The following rates apply respectively within each range of gallons of fuel purchased.

Amount of Fuel (gallons)	Tax
1 – 50,000	5¢
50,001 – 150,000	2¢
150,001 – 200,000	1¢
200,001 and over	1/2¢

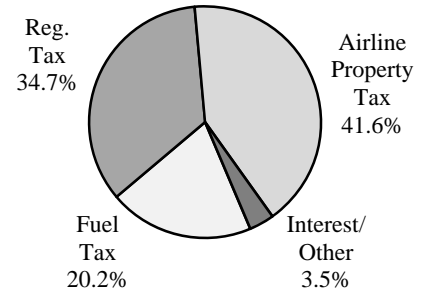
**Aircraft registration tax.** An annual registration tax on aircraft is imposed on noncommercial aircraft based in Minnesota or used in the state for more than 60 days a year. The tax is set at a rate of 1 percent of the aircraft manufacturer's original list price, multiplied by a depreciation factor after the initial year of aircraft life. The depreciation factor is 90 percent of the list price in the second year of life and is further reduced by 15 percentage points per year in subsequent years. (For instance, the tax in the third year equals 1 percent of the original list price times 75 percent.) The minimum tax is the greater of (1) 1 percent of the list price times 25 percent, or (2) \$50. [Minn. Stat. § 360.531](#).

**Airline flight property tax.** The airline flight property tax is paid on aircraft equipment owned by commercial airlines. Airlines' tax capacity is multiplied by an adjustable tax rate that is based on revenue needs for the state airports fund (calculated by appropriations from the fund less revenue from the other two taxes). [Minn. Stat. § 270.075](#).

**Aviation Revenue Amounts  
FY 2011 (\$18.8 million)**



**Aviation Revenue Distribution  
FY 2011 (\$18.8 million)**



***State airports fund***

The state airports fund is the primary state funding source for aeronautics. By law, revenues from the taxes on aviation fuel, aircraft registration, and airline flight property are dedicated to the fund. Money in the fund is appropriated biennially to MnDOT as part of the transportation budget.

***Fund balance transfers***

Facing budgetary challenges in 2003, the legislature transferred \$15 million from the state airports fund to the general fund with a requirement that the funds be transferred back. [Laws 2003, 1<sup>st</sup> spec. sess., ch. 18](#), art. 1, § 2. The required return transfer took place in fiscal year 2008, but in that same year the legislature mandated another \$15 million transfer to the general fund. [Laws 2008, ch. 363](#), art. 11, § 3. A 2009 law requires that the second transfer be restored to the state airports fund (following other priorities set in statute) once the state has a sufficient budget reserve. [Minn. Stat. § 16A.152](#), subd. 2.

***Federal funding***

In addition to appropriations from the state airports fund, Minnesota has historically received roughly \$60 million to \$80 million per year in federal airport improvement program (AIP) funds. MnDOT coordinates grant applications and distributes AIP funds. There are 97 airports eligible for the aid as part of the National Plan of Integrated Airport Systems (NPIAS). Grants can be used for a variety of capital projects, but operational costs such as salaries are not eligible.

***Aeronautics expenditures***

MnDOT’s Office of Aeronautics performs various aviation functions. Fiscal year 2011 expenditures from state funds, totaling \$19.8 million, are for:

- ▶ The **airport construction grant program** (about \$10.1 million), which funds capital improvements to airport facilities, equipment, and runways;
- ▶ The **airport maintenance and operation grant program** (about \$3.9 million), which provides formula-based grants to airports for day-to-day operations such as snow removal, mowing, and general maintenance;
- ▶ Maintaining **electronic navigation aids** and automated weather systems (about \$0.8 million); and
- ▶ **MnDOT staff and operations** (about \$5 million), which includes registering aircraft, inspecting and licensing airports and commercial aviation, performing aviation planning, providing technical assistance, conducting seminars, promoting scheduled air service in Greater Minnesota, and providing air transportation for state government.

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