



STATE OF NORTH CAROLINA DEPARTMENT OF TRANSPORTATION

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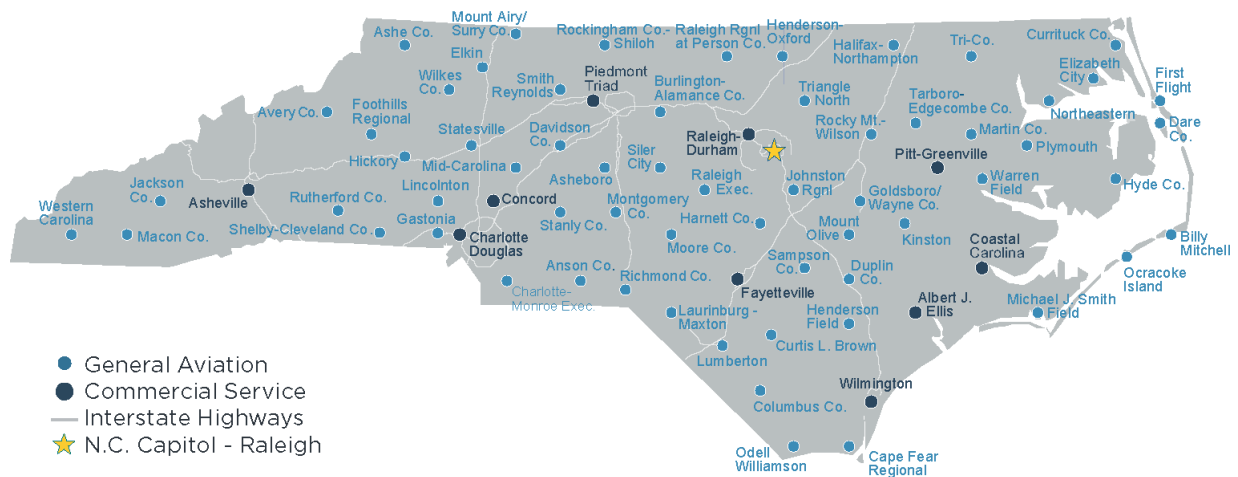
April 14, 2023

Testimony of Bobby Walston, Director of Aviation for the North Carolina Department of Transportation, to the Pennsylvania Senate Transportation Committee

Thank you for the opportunity to share North Carolina's experience making strategic, transformative state investments in our system of public airports and the impact of those investments. I am Bobby Walston, director of aviation for the North Carolina Department of Transportation.

North Carolina has a long history and legacy of aviation innovation, dating back to the first powered aircraft flight at Kitty Hawk in 1903. Since that first flight, the state has developed a system of 72 publicly funded airports, many of which boast state-of-the-art runways and facilities. Our system includes 10 commercial service airports, which offer regularly scheduled passenger service, and 62 general aviation airports. All of our airports connect people and cargo to markets worldwide.

North Carolina's System of 72 Public Use Airports



North Carolina's public airports support business and leisure travel and aviation-related businesses in both urban and rural counties. Private aircraft based at public airports pay local property taxes equal to that generated by entire subdivisions. Ninety-six percent of our state's population live within a 30-minute drive of a public airport. All these benefits make our airports valuable assets for our travelers, communities and economy.

The State of North Carolina currently invests about \$200 million a year in airport development and maintenance. In return, our airports generate more than \$72 billion a year in economic impact. That is more than 10 percent of our state's Gross Domestic Product. They support 330,000 jobs, both on the airports and in businesses served by airports. They contribute more than \$3.7 billion in state and local

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tax revenues. Aviation-related companies contribute even more. As such, airports are powerful economic drivers for our state and represent a significant return on our state investment.

That return on investment has prompted our state legislators to dramatically increase state support for our public airports in the last decade. I would like to share with you today a little about how and why North Carolina chose to do that and the impact it has had.



Source: [2023 North Carolina: State of Aviation Report](#)

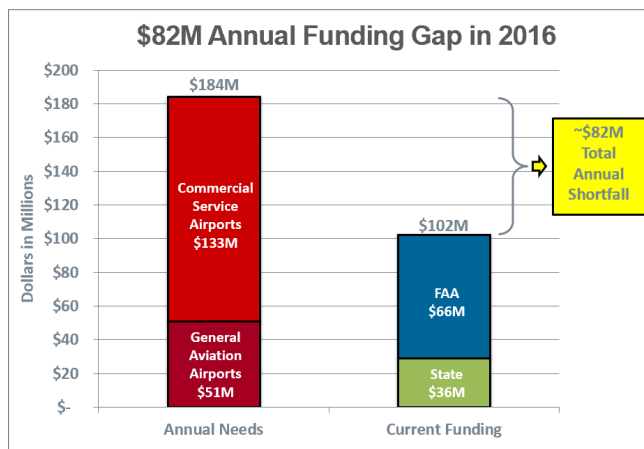
Airport Infrastructure Needs and Funding Gap Identified

In 2015, North Carolina contributed about \$20 million to the NCDOT Division of Aviation for airport development and infrastructure projects – not the \$200 million annually it does today. That year, our office had just completed an update to our North Carolina Airport System Plan. This Federal Aviation Administration (FAA)-required plan evaluates the state’s airport system against federal guidelines for safety, infrastructure health and mobility, considers industry trends and recommends how to develop the system to respond to future challenges, meet community needs and promote system sustainability.

The system plan identified more than \$1 billion in infrastructure development needs for our 62 general aviation airports – 10 times that amount for commercial service airports – over the coming 20 years to meet safety requirements and community needs. That included improvements to runways, taxiways and aircraft parking areas, upgraded lighting, clear and safe aircraft approaches and new perimeter fences, navigational aids and ground communication systems.

We were not alone. A study by Airports Council International - North America at that time reported that U.S. airports needed more than \$25 billion annually to meet their safety and community needs. Federal funding at that time totaled less than \$4 billion a year. Our analysis found that North Carolina’s public airports faced an annual funding gap of about \$82 million a year.

Meanwhile, our economic impact study at that time found that for every dollar the State of North Carolina invested in our airports, the airports returned \$23 in state tax revenues. Airports contribute to state business sales, corporate and personal income taxes and to local property (business, personal and based aircraft) and business sales taxes.



Source: [2015 NC Airport System Plan Update](#)

Aviation Task Force Recommends Strategic Action

That was the airport funding landscape in 2015 when North Carolina's governor convened a task force of business, government, and aviation stakeholders to study and provide recommendations on strategies for:

- Securing reliable and sustainable funding for airport continuity and growth.
- Enhancing economic activity within the state.
- Improving the retention of retiring and discharged military personnel trained in the aviation/aerospace field.
- Creating more effective and efficient processes and policy implementation for aviation grant administration.

Task Force members, working over 18 months, found that significant opportunity existed for expanding aviation's impact in North Carolina by:

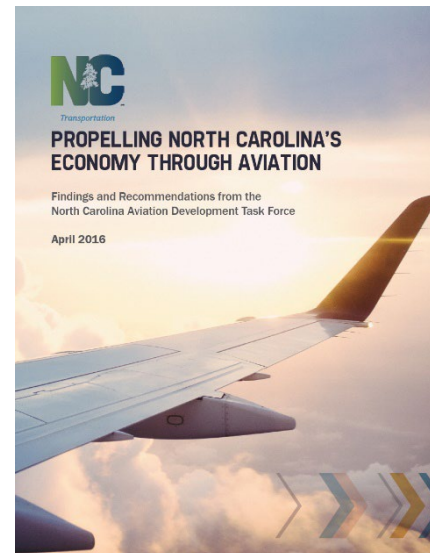
- Leveraging airport infrastructure to expand the state's aviation and aerospace industry cluster.
- Attracting more aviation-related businesses on or near airport properties.
- Supporting the needs of companies using airports to rapidly transport goods and people.
- Providing local businesses with access to regional, national, and international markets.
- Expanding revenue-generating airport enterprises.
- Helping the state's airports and airport system operate sustainably.
- Leveraging synergies with the state's technology, defense and aviation sectors to develop a commercial drone industry.

The task force invited a wide range of experts, from economists to military affairs representatives, to inform its work. The task force emerged from its deliberations recommending action in three key areas:

- Strategic investment
- Targeted economic development
- Training and technical assistance

On the investment front, the task force offered these specific recommendations:

- Reinvest in the N.C. Department of Transportation's Division of Aviation the state tax revenues (non-payroll) generated on-site at airports, (approximately \$44 million in FY 2015), which includes existing taxes on rental cars originating at system airports, sales taxes collected from airport enterprises and aviation fuel taxes paid by non-commercial carriers, to supplement current state funding for the airport system.
- Offset the estimated \$82 million annual shortfall for critical infrastructure maintenance, safety and regulatory compliance improvements needed to meet system objectives and local priorities at the state's 72 airports.
- Provide greater financial support for airports in the state's most economically distressed counties.
- Assist with the required local match of federally funded capital improvement projects.
- Reduce the portion of local matches required for state funded projects.

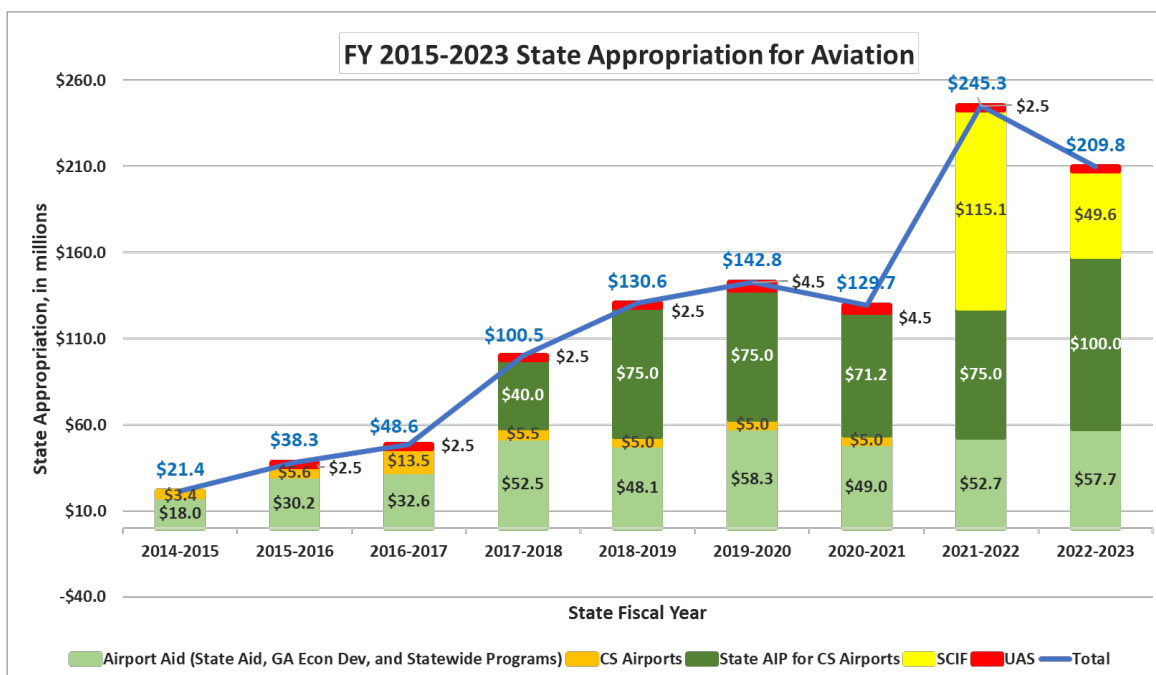


A N.C. governor-appointed task force recommended strategies for expanding airport impacts.

Education Campaign Resonated with State Legislators

My office collaborated with representatives from our 72 airports, particularly the commercial service airports, which contribute the greatest economic impact, to use the task force recommendations, the needs analysis and the economic impact findings in a major education campaign to state legislators.

That information resonated, and as a result, state funding for airport infrastructure development and maintenance has risen dramatically. It included a new grant program specifically for commercial service airports that now totals \$100 million a year for those 10 airports. Annual recurring funding overall has climbed 637 percent from \$21.4 million in 2015 to \$157.7 million in 2023, as the graph below shows. In addition, the state provides recurring funding for our Unmanned Aircraft System (UAS) Program and in the last two years grants from the State Capital and Infrastructure Fund (SCIF) in FY 2022 and FY 2023, which are legislatively directed to specific airports and not recurring.



North Carolina’s investment in its public airport has increased 637% since 2015.

Impacts of State Investment in Airports

What has been the impact of state investment in our airports? First, the economic impact of our airports in our latest economic impact analysis, based on 2021 data, shows that North Carolina’s public airports now contribute more than \$72 billion annually to the state’s economy, over 10 percent of the state’s economy, as stated earlier.

Commercial service airports, supported with a new funding program for capital projects and debt service, constructed and rehabilitated runways and taxiways to support larger aircraft for existing and future air carrier service, expanded terminal buildings and passenger handling facilities, constructed revenue-generating aircraft hangars, acquired and developed land for business development, constructed access roads and paid off debt for completed projects, opening the door for future ones. Similarly, general aviation airports used new funding to build new terminal buildings that served as state-of-the-art gateways to their communities, attracting new businesses and business users as a result. They built both airfield and passenger-serving infrastructure and facilities, from hangars and taxiways to aircraft and vehicle parking areas.

One new grant program, the North Carolina Airport Economic Development Fund, is dedicated solely to general aviation airport capital projects for support of business locations and expansions that create jobs. The N.C. General Assembly funded this grant program with sales taxes paid on aviation fuels, which now generates about \$10 million a year. Since launching this program in 2017, we have funded 14 projects expected to yield \$224 million in additional investment and create over 1,000 new jobs in the communities served by those airports.

During the pandemic, when many businesses in our state were forced to close, airport construction projects provided much-needed work and jobs in communities across our state building facilities that have served them well as airports and business operations have resumed. Charter business during the pandemic soared as air travelers sought to avoid crowded commercial service aircraft, and cargo traffic exploded. More cargo flowed through North Carolina airports in 2021 than ever before — 1.3 million tons, up 22% from 2019 — driven by a major increase in durable good and online purchases by homebound consumers during the pandemic.

One of our general aviation airports, Rocky Mount-Wilson Regional Airport, has seen airport operations climb 1,000% and fuel sales rise 500% in the past five years since extending and strengthening its runway to handle major cargo aircraft, thanks to state investments that supplemented federal and local funding. The airport bought special loading equipment, trained operators and made the airport available 24x7 to cargo companies. Regional cargo companies responded and now keep a steady stream of cargo flowing through the airport. That airport, in a more rural part of our state, contributes more than \$77 million a year in economic impact to the local economy, supports more than 430 local jobs and returns more than \$2.7 million a year in state and local taxes.



Aircraft operations have increased 1,000% and fuel sales 500% at Rocky Mount-Wilson Regional Airport since it extended and strengthened its runway to handle major cargo.

Our airports support virtually every sector, from manufacturing and cargo to maintenance and repair operations that keep aircraft flying. They support military operations, agricultural services and emergency response to natural disasters and forest fires. They move goods of all kinds, from organs for transplants and medical specimens for testing to overnight packages – particularly time-sensitive and high-value cargo. In North Carolina, the value of cargo shipped by air averages \$49.82 per pound, significantly higher than goods shipped by pipeline (\$0.15/lb.), rail (\$0.17/lb.), water (\$0.21/lb.) and truck (\$0.56/lb.)

Statewide Program of Services Supplement Grants for Capital Projects

Our agency now manages 12 state and federal grant funds for airports. We supplement grants to airports with a range of services that our office can provide more efficiently and at lower cost by managing them centrally. That includes a pavement management and rehabilitation program, federally required airport inspections, wildlife hazard mitigation and support for automated weather observation systems and navigation aids. The pictures on the next page show the impact of a typical pavement maintenance project, with before and after pictures of the rehabilitated runway. The cost of the project to seal and reapply pavement markings was about \$200,000. In comparison, a pavement rehabilitation project costs would have cost at least \$1 million. These rehabilitations can extend the useful life of pavement eight to 10 years.



Before and after photos of a typical NC airport pavement maintenance project.

Unmanned Air Mobility Advanced Also Require Investment

I would be remiss to point out the growing importance of unmanned aviation and advanced air mobility – moving cargo and ultimately people. North Carolina leaders recognized the transformative potential for these emerging technologies as early as 2012 and have provided at least \$2.5 million a year for our program since 2016. We have played a major role in FAA UAS integration programs since 2018 and facilitated more national firsts than any other state. That includes enabling the first routine commercial deliveries of medicines, lab specimens and COVID vaccines across regional health center campuses and the first backyard deliveries of fast food and retail items. These innovations have also helped us recruit new companies that have created jobs. We expect this to continue as we develop a traffic management system for unmanned aviation and work with airports to leverage and manage unmanned air traffic to support business and community needs. You can expect this industry to be an increasingly important area for state investment in Pennsylvania, as well.

Conclusion

Airports across the United States face significant headwinds, many with long overdue maintenance and development needs and facing transformative technological advances that will require investment to manage. Federal funds can take them only so far. Public airports need a reliable, recurring funding stream they can use to develop and maintain their facilities over time. States that invest in their public airports can expect significant returns in the form of economic impact, jobs and tax revenues as their airports drive economic activity in communities large and small, urban, and rural.

Programs must be streamlined while ensuring accountability, with investments distributed fairly, equitably and with transparency. State aviation agencies, particularly those in federally designated block grant states, are most capable of managing those investments, as compared to direct investments in the airports themselves. Central management of funds ensures airports get the support they need to optimize funding from all sources, plan for the short- and long-term, comply with state and federal requirements for safety and operability, and collectively provide a strong system of airports that best serve the needs of the state.