

Washington Pilots Association Retreat

**WSDOT Aviation Division:  
Airport Investments  
& Aviation Taxes**

*“2013 Legislative Update”*

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# Presentation Agenda

- WSDOT Aviation
- Top aviation-related legislative issues
- The State's aviation system
- Airports contribute to economic growth, jobs & more
- Aeronautic account— advancing aviation
- Airport funding shortfalls
- Questions



# WSDOT Aviation

## Motto



**Washington State  
Department of Transportation**

Aviation Division

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*"A Steward for Washington's Aviation System"*

## Mission Statement

To enhance Washington State's aviation system interests in ways that strengthens our transportation system, economy and quality of life.

## Vision

To be a leader in aviation system planning and innovation.



# Top aviation-related legislative issues

- Senate Bill 5430: Aircraft excise tax revenue to the aeronautics account
- Funding increase for WSDOT Airport Aid Grant program
- Airport investment study



**Bottom-line**  
**Increases funding  
for airports...  
without increasing  
ANY taxes or fees.**





# Top aviation-related legislative issues





# SB 5430- Distribution of aircraft excise taxes

“Good for our airports and preserves the state’s general fund”

## Aircraft Excise Tax: How it works



Registration + Excise Tax

\$15 + **\$20**



\$15 + **\$50**



\$15 + **\$65**

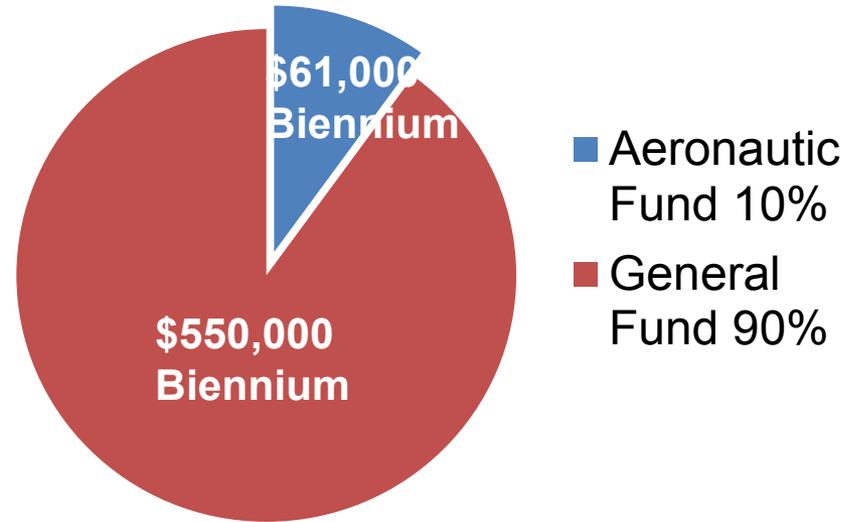


\$15 + **\$100**



\$15 + **\$125**

## Aircraft Excise Tax



SB 5430 would change the current distribution of aircraft excise tax revenue to the state aeronautics account from 10% to 100%; **adds \$550,000 biennially... without increasing this tax.**



# SB 5430- Distribution of aircraft excise taxes

“Good for our airports and preserves the state’s general fund”

**What it does:** Changes the distribution of aircraft excise tax revenue allocated to the aeronautics account from **10%** to **100%**.

## Impacts of the Bill— All Positive



Washington Airport Management Association

- Creates **48 jobs**
- Leverages **\$6.5 million** in Federal Aviation Administration (FAA) grant funding.
- Results in **\$7.4 million** for much-needed airport preservation and safety projects (when combined with local matching and federal grant dollars).
- Returns **\$517,000** in revenue to the state’s general fund (sales and B&O taxes).
- Results in additional indirect revenue to the state’s general fund.
- **No significant impact to the general fund**; potentially has a positive revenue impact.



# Airport Aid Grants: \$1.5 million increase

## Proposal: One-time, \$1.5 million funding increase to WSDOT's Airport Aid Grant program —

- Provides funding for critical airport improvement and preservation projects.
- Helps address a backlog of paving and preservation needs at public-use airports.
- The aeronautics account has the fund balance to support this increase with no impact to existing funding sources, taxes, or fees.



- Creates **133 jobs**
- Leverages **\$17.7 million** in federal grant funding (FAA)
- Results in **\$20.2 million** for airport preservation and safety projects
- Returns **\$1.4 million** in revenue to the state's general fund





# Airport Investment Study

## Airport funding tops agenda at WSDOT Aviation

- WSDOT-proposed study appears destined to move from the legislative arena to an agency-initiated study.

- WSDOT will still spearhead the proposed study.

- **The study will:**

- ▶ Evaluate current funding levels for airport preservation and safety projects.
- ▶ Assess short-term (0-5 years) and long-term (5-20 year) airport improvement needs.
- ▶ Determine consequences of doing nothing in terms of economic and aviation system impacts.
- ▶ Discuss funding options to address airport investment needs.





# The state's aviation system

- 136 public use airports
- 64 airports are eligible for federal funding (NPIAS)

Ownership	Airports
City/Towns	40
County	10
Port Districts	33
WSDOT	16
Private	30
Joint / Airport Authorities	5 / 2





# Airports contribute to jobs & economy

## Total impact attributed to aviation-related activities in Washington State—

- **248,500 jobs**
- **\$15.3 billion** in labor income
- **\$50.9 billion** in economic output



**Airport funding: why care?**





# Airports contribute to tax revenue

## ▪ Fiscal Impact Analysis

Classification	Aircraft Excise Tax	Aviation Fuel Tax*	Sales and Use Tax**	Property Tax***	B&O Tax	Other	Total
Commercial	144,000	471,000	390,277,000	30,335,000	121,000,000	115,228,000	657,455,000
Regional	235,000	829,000	7,724,000	13,804,000	98,980,000	6,227,000	127,799,000
Rural Essential	49,000	124,000	680,000	1,628,000	89,000	163,000	2,733,000
Community Service	105,000	364,000	923,000	604,000	401,000	334,000	2,731,000
Local Service	19,000	60,000	132,000	255,000	169,000	37,000	672,000
Seaplane Base	1,000	0	112,000	53,000	10,000	26,000	202,000
<b>Total</b>	<b>553,000</b>	<b>1,848,000</b>	<b>399,848,000</b>	<b>46,679,000</b>	<b>220,649,000</b>	<b>122,015,000</b>	<b>791,592,000</b>
<b>% of Total</b>	<b>0.1%</b>	<b>0.2%</b>	<b>50.5%</b>	<b>5.9%</b>	<b>27.9%</b>	<b>15.4%</b>	

\* Fuel used for commercial aviation is exempt from the state aviation fuel tax.

\*\* Includes sales and use tax paid on general and commercial aviation fuels.

\*\*\* Includes taxes paid on airline service providers' personal property.

## Airport funding: why care?

- Public-use airports generated about **\$792 million** in tax revenue in 2009.
- **\$548 million** supports the state's General Fund.
- Nearly **\$244 million** is split fairly evenly amongst cities, counties, and special purpose districts.



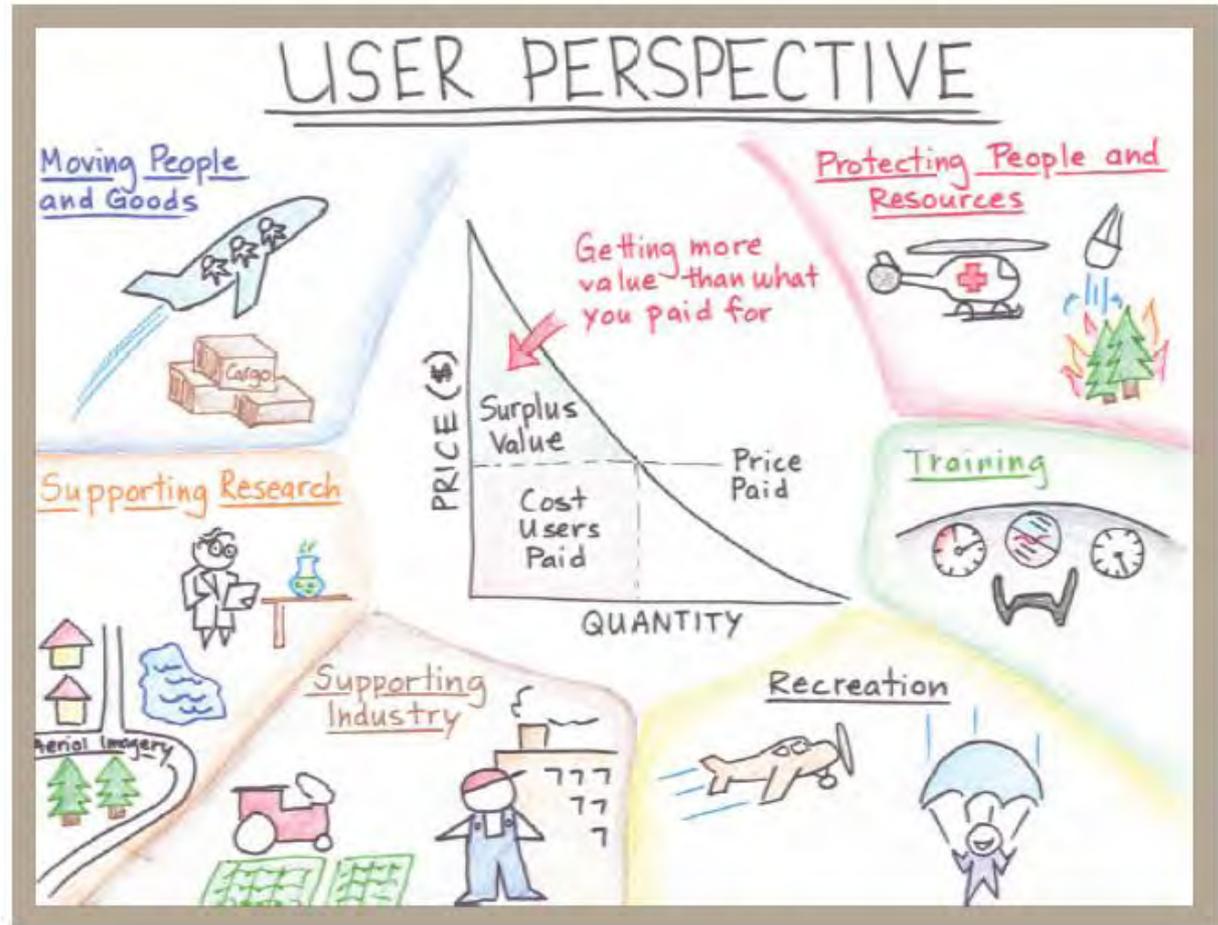


# Airports contribute to communities

## Enables Services that:

- Save Lives
- Protect Property
- Promote Business Activities
- Support Recreation & Tourism

**Airport funding:  
why care?**

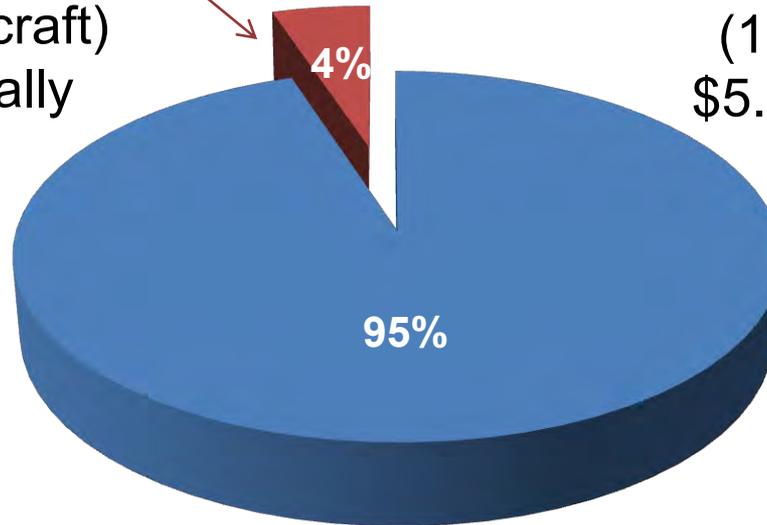




# The aeronautic account: *funding sources*

**Aircraft Registration &  
10% of Excise Tax**  
(\$35-\$140 per aircraft)  
\$280,000 biennially  
**4%**

**Aviation Fuel Tax**  
(11 cent per gallon)  
\$5.7 million biennially  
**95%**



## PRIMARY SOURCES OF STATE FUNDS- 99%

- Aircraft fuel tax (11.0 cents per gallon)
- Aircraft excise tax (10% excise tax collected)
- Aircraft registration fees (\$15 year/aircraft)

## OTHER SOURCES OF STATE FUNDS- 1%

- Aircraft dealer license fees (\$75 annually)
- Miscellaneous revenues
- Treasury deposit earnings



# The aeronautic account: *funding sources*

## Aircraft fuel tax: **100%** goes to aviation

11 cent per gallon (AVGAS or Jet-A)



### Who Pays?



GA



Business Aviation



State Aircraft



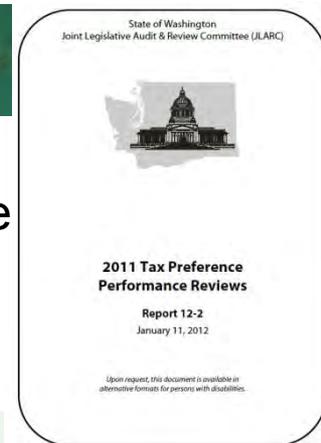
U.S. Government



Airlines



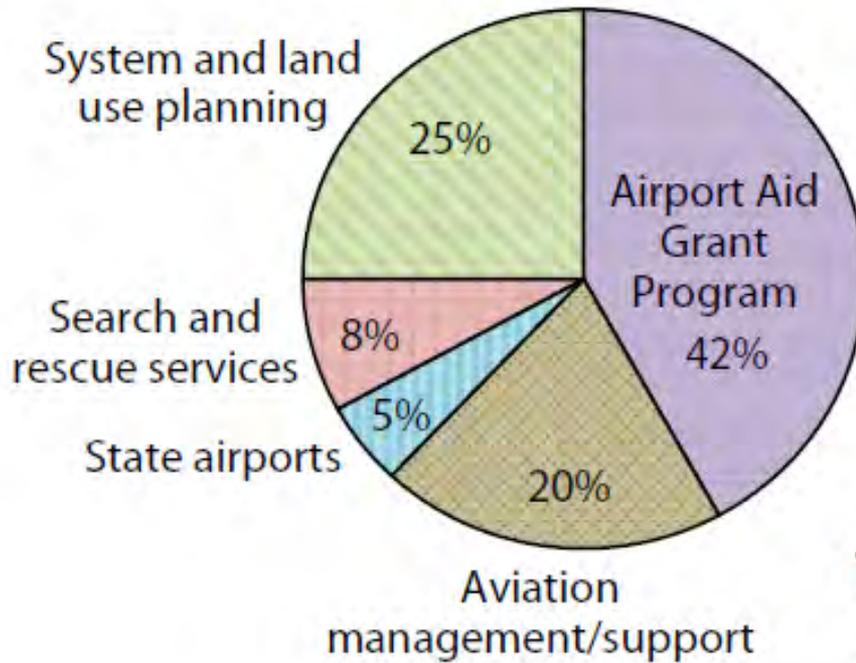
•2011 Tax Preference Performance Reviews conducted by the JLARC— **Recommendation:** The Legislature should determine whether some parties that benefit from the expenditures should actually pay the tax.





# Aviation budget breakdown

## Budget Breakdown (Including Federal Funds)



42% of Aviation Division Budget used for airport grants

**= \$2 million awarded to AIRPORTS (biennially)**



### Total \$8.128 million:

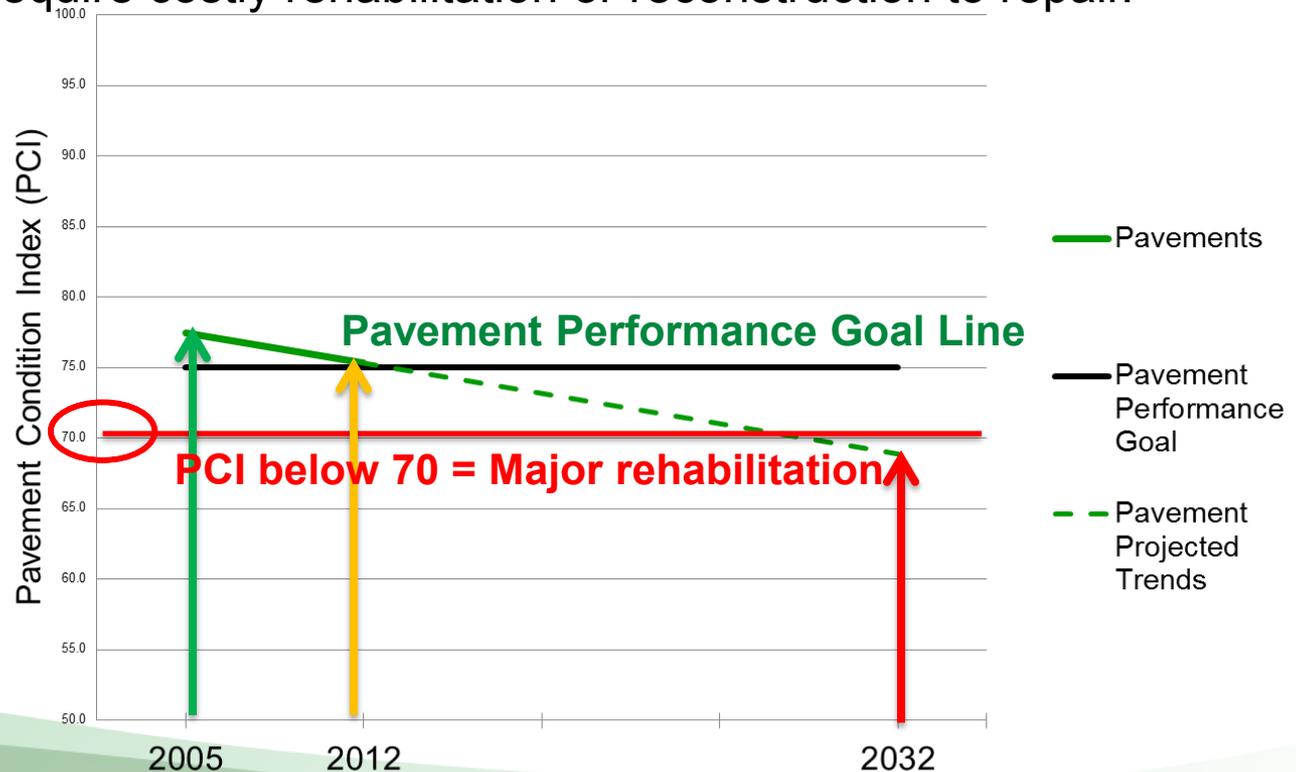
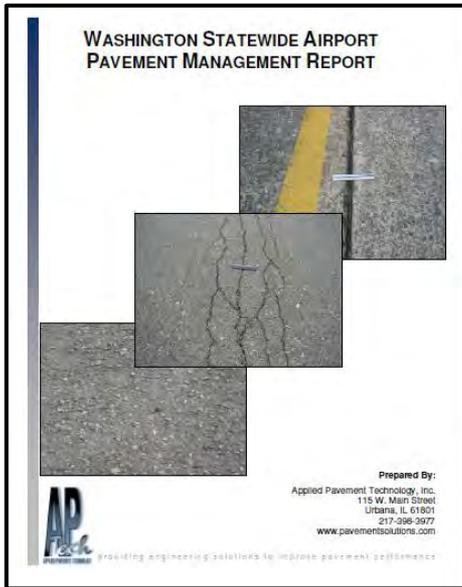
- 74% from Aeronautics Fund
- 26% from federal funds



# Airport funding shortfalls

Pavement: Critical measure of airport performance and safety

- **In 2005**, a WSDOT-sponsored airport pavement study estimated a backlog of nearly **\$163 million** in essential pavement maintenance in our state.
- **In 2012**, WSDOT conducted a pavement study update (*due June 2013*).
- Preliminary data indicates pavement conditions **have declined** statewide; 22% of airport pavement will require costly rehabilitation or reconstruction to repair.

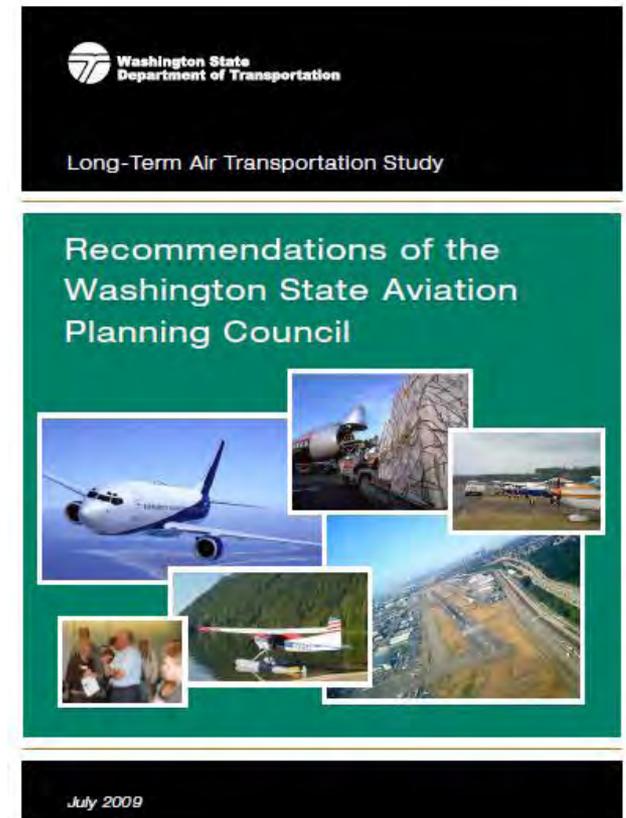




# Airport funding shortfalls

Landmark Aviation Study: Additional funding is needed

- **In 2009**, the Governor's Aviation Planning Council determined that Washington's aviation system **suffers from a significant funding shortfall**.
- **\$600 million** is needed to bring all public use airports into compliance with performance objectives.

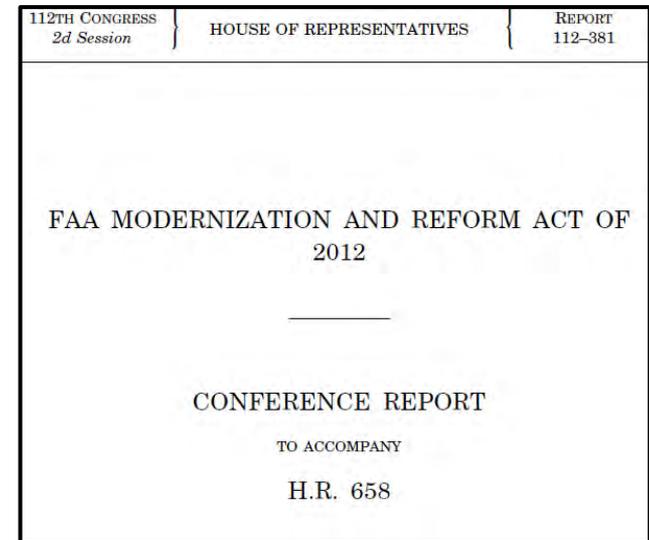




# Airport funding shortfalls

Federal Government: States must address increased funding gap

- **In 2012**, the FAA Modernization and Reform Act increased the required state and local match from 5% to 10%.
- This placed a **greater financial burden** for airport investments **on state and local governments**.
- Impact: In 2012, the local + state matching requirements **increased 147%** compared to 2011.





# Airport funding shortfalls

Airports to State: Funding needs are real and urgent

- **Also in 2012**, WSDOT's Airport Aid Grant program, which only has \$1 million available per year, fell far short of funding the \$4 million requested!





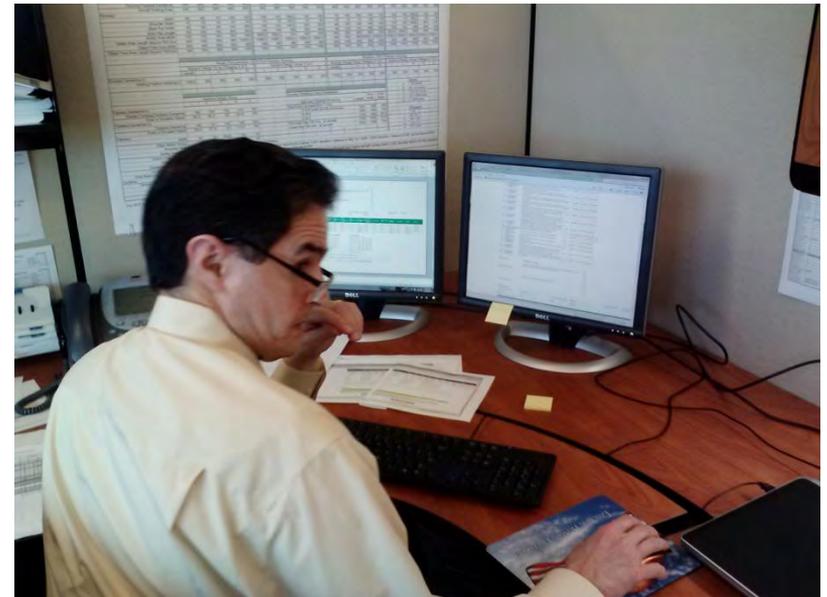
# Airport funding shortfalls

## WSDOT's Response: SCIP as a first-step

- **January 2013**, airport sponsors submitted the first-ever **Statewide Capital Improvement Program (SCIP)** airport project list to WSDOT.
- SCIP will tackle the challenge of strategically targeting limited state resources by prioritizing statewide aviation projects.

### SCIP New “Just In” Information

- Most of the 136 public-use airports submitted five years of projects (2014-2018).
- WSDOT received more than 500 project requests.
- Initial, unrefined data indicates airports requesting nearly **\$400 million** in projects.



WSDOT's John MacArthur analyzing SCIP data



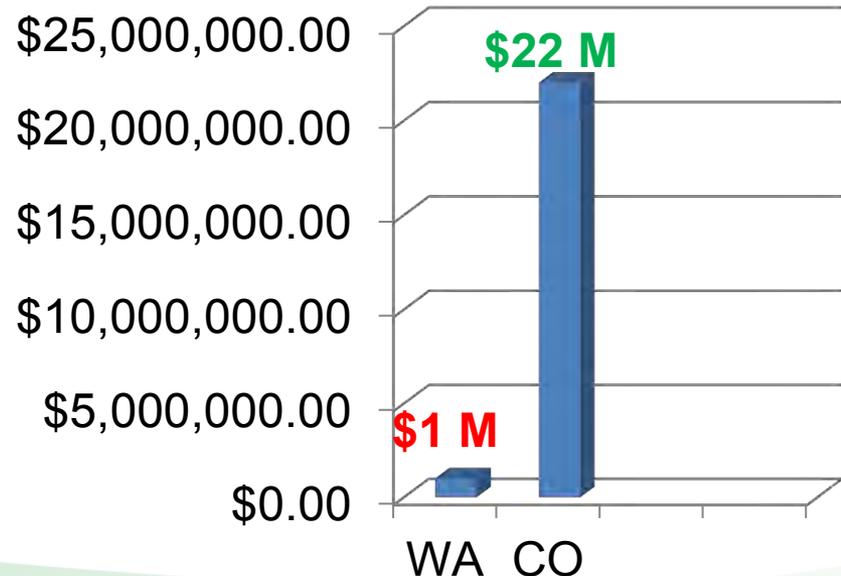
# Airport funding shortfalls

Funding comparison: Does our state measure up?

## How does our funding compare to other states?

Annual airport grant monies available (state \$): Washington vs. Colorado

State	Annual Grants \$	Public Use Airports	Per Airport Investment \$
Washington	\$ 1 million	136	\$ 7,353
Colorado	\$ 22 million	76	\$ 289,473





# Airport funding shortfalls

## Consequences of Continued Insufficient Funding

- Delaying the backlog of pavement projects will cost 4 to 7 times more to repair in the future: Pay now or pay more later

### Insufficient funding may lead to:

- Delays or eliminates crucial airport preservation projects= loss of federal \$
- Jeopardizes the continued vitality of our airports
- May compromise safety

▶ Crack Sealing = \$



▶ Overlay = 4 x \$\$\$\$



▶ Reconstruction = 7 x \$\$\$\$\$\$\$



Representative Pavement Surface	Repair Alternative
	Pavements with PCI values above a 60 to 70 often benefit from cost-effective preventive maintenance actions, such as crack sealing and surface treatments.
	Pavements with a PCI in the range of 40 to 70 will typically require more expensive rehabilitation, such as an overlay.
	Pavement allowed to deteriorate below a PCI of 40 may require costly reconstruction to restore it to operational condition.



# Questions & Contacts

## Airport Investments:

**What's the worst that can happen if we do nothing?**



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