

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5004-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. D. Edwards
Carrier – Senate: Sen. Verger**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 15 – 0 – 6

House – Yeas: D. Edwards, Galizio, Garrard, Jenson, Morgan, Nathanson, Nolan

– Nays:

– Exc: Hanna, Shields

Senate – Yeas: Bates, Devlin, Gordly, Johnson, Morse, Schrader, Verger, Whitsett

– Nays:

– Exc: Carter, Nelson, Westlund, Winters

Prepared By: Blake Johnson, Department of Administrative Services

Reviewed By: Susan Jordan, Legislative Fiscal Office

Meeting Date: 6/20/07

Agency

Department of Aviation

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Biennium

2007-09

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Mary Nolan, Co-Chair

Senator Betsy Johnson, Transportation and Economic Development
Subcommittee Chair

Budget Summary*

	2005-07		2007-09		Percentage Committee
	Legislatively Approved Budget (1)	Governor's Budget	Committee Recommendation	Difference from Governor's Budget	Change from Governor's Budget
Other Funds	\$ 11,578,099	\$ 6,918,857	\$ 4,219,080	\$ -2,699,777	-39.0%
Other Funds Debt Service	112,050	0	0	0	0.0%
Federal Funds	10,510,000	7,635,252	1,200,394	-6,434,858	-84.3%
Total	\$ 22,200,149	\$ 14,554,109	\$ 5,419,474	\$ -9,134,635	-62.8%

Position Summary

Authorized Positions	16	20	17	-3
Full-time Equivalent (FTE) Positions	16.00	19.34	8.92	-10.42

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

Summary of Revenue Changes

The Department of Aviation receives gas tax revenue, specifically a one-cent per gallon jet fuel tax plus a nine-cent per gallon aviation gasoline tax. In addition, the agency collects aircraft registration, pilot registration, aircraft dealer license, and airport access fees. The Subcommittee approved the agency's recommendations for increasing revenues through increasing the fuel flowage fee, aircraft and pilot registrations fees, tie down and access fees, and land lease rates.

Summary of Subcommittee Action

The Department of Aviation advocates for the safe operation, growth, and improvement of aviation in Oregon. Founded in 1921 as the first governmental aviation agency in the United States, the Department is responsible for the planning and development of a safe and efficient aviation system in Oregon. The Joint Ways and Means Subcommittee on Transportation and Economic Development approved a total funds budget of \$5,419,474 and 8.92 full-time equivalent positions. The Subcommittee denied a policy package requesting personal services adjustments, approved a policy package supporting capital construction projects, and made changes to the agency's budget structure by separating the Pavement Maintenance and Aircraft Registration programs from the Operations program.

Additionally, the Subcommittee funded the remaining elements of the Operations program for 12 months and directed the agency to return to the Legislature during the planned special session with an audited accounting of the 2005-07 revenues and expenditures and a proposal for the remainder of the 2007-09 biennium.

Operations

The Operations program unit's responsibilities include oversight of state-owned airports, approval of airport sites, forging cooperation among local governments, and facilitating acquisition of federal or other funding resources. The Joint Subcommittee approved a 12-month budget of \$2,054,572 Other Funds, \$303,394 Federal Funds, and 7.92 full-time equivalent positions and instructed the agency to return to the Legislature during the planned special session with a proposal for the remainder of the 2007-09 biennium. The 12-month budget was approved by the Subcommittee because the agency discovered several accounting errors that require a complete reconciliation of all agency accounts, which will not be completed until after the legislative session. The errors put in question the 2005-07 ending balance and thus the 2007-09 beginning balance and ability to sustain ongoing expenses at essential budget levels.

The Subcommittee made no revisions to the program's base budget or essential packages.

The Subcommittee did not approve Package 101 – Personal Services, resulting in a decrease of \$355,965 Other Funds and 2.92 full-time equivalent positions from the Governor's recommended spending level. However, a Limited Duration Program Analyst 2 position was approved for 10 months (0.42 full-time equivalent) to be funded with a shift of \$55,529 Other Funds from Services and Supplies to Personal Services.

The Subcommittee approved Package 806 – LFO Technical Adjustments, which reduced Other Funds by \$1,997,350, as well as reduced 7.50 full-time equivalent positions to provide 12 months limitation at the Essential Budget Level with direction to the agency to return to the Legislature with an audited accounting of the 2005-07 revenues and expenditures and a proposal for the remainder of the biennium that provides an appropriate ending balance to absorb increases in compensation and to assure adequate cash flow; Package 807 – Pavement Maintenance Adjustment, which shifted \$2,000,000 Other Funds from the Operations program to a separate Pavement Maintenance summary cross reference and removed \$1,260,000 in excess Federal Funds limitation; and, Package 808 – Move Aircraft Registration, which shifted \$59,432 Other Funds to a separate Aircraft Registration program unit along with one position (0.50 full-time equivalent).

Search and Rescue

The Search and Rescue program collects pilot registration fees and sends them, net of collection costs, to the Oregon State Police Office of Emergency Management. Under ORS 837.045, these funds must be used for air search and rescue activities. The Subcommittee approved a budget of \$58,869 Other Funds and 0.50 full-time equivalent positions.

The Subcommittee made no revisions to the program's base budget or essential packages, but did approve technical adjustments, which are captured in Package 806 – LFO Technical Adjustments. The net change to the budget was a decrease of \$56,949 Other Funds to reflect more current spending projections.

General Aviation Entitlement

The Department acts as the state sponsor for the federal General Aviation Entitlement program by administering Federal Aviation Administration (FAA) grants to Oregon airports. Many state-owned and other small airports are eligible for grant funds. The program supports airfield, runway, taxiway, and apron improvement and maintenance projects. Covered costs include any professional services that are necessary to complete projects, such as planning, surveying and design. The Subcommittee approved a budget of \$46,770 Other Funds and \$897,000 Federal Funds.

The Subcommittee approved Package 806 – LFO Technical Adjustments. This package removed \$288,950 Other Funds and \$5,478,252 Federal Funds to reflect updated expenditure plans for capital construction projects.

Pavement Maintenance

The statute dedicates funds derived from state aviation fuel tax revenue to preserve pavements at eligible airports throughout the state. Airport sponsors participate with local match, which can be provided by FAA General Aviation Entitlement, other funds, or a combination thereof.

The Subcommittee approved a fund shift of \$2,000,000 Other Funds from the Operations program in Package 807 – Pavement Maintenance Adjustment.

Aircraft Registration

The Department collects registration fees on aircraft based in Oregon. The Subcommittee approved Package 808 – LFO Technical Adjustments, which shifted \$58,869 Other Funds and 0.50 full-time equivalent positions from the Operations program to create a separate Aircraft Registration budget unit.

Capital Construction

The Department's Capital Construction program exists to develop and improve state-owned airports for community access and emergency use. This program is dependent on federal Airport Improvement funds, which provides 95 percent of eligible land and construction costs. The program contains expenditures for construction projects meeting state criteria to be categorized as Capital Construction projects. The Department's Capital Construction budget is actually contained in a separate budget bill, House Bill 5006. However, the Subcommittee did discuss the agency's Capital Construction expenditure requests as part of its overall agency review. The Subcommittee recommended a budget of \$404,586 Other Funds and \$7,761,738 Federal Funds.

The Subcommittee recommended modifications to Package 102 – Aurora Taxiway Capital Construction Project. The modifications added projects for the Bandon, Chiloquin, Cottage Grove, Independence, and Lebanon state airports. These projects will be funded by \$299,323 Other Funds and \$5,761,738 Federal Funds with the understanding that the Aircraft Registration revenues will fund the five percent state match and should the revenues fall short of the required match, projects will be adjusted accordingly.

Summary of Performance Measure Action

The Subcommittee approved the performance measures submitted by the agency.

See attached Legislatively Adopted 2007-09 Key Performance Measures form.