HB 2075

Providing Oregon with a strong General Aviation infrastructure and economic benefit to all of Oregon.

Summary

- Oregon's jet fuel tax is the lowest in the west
- The buying power of our 1 cent jet fuel tax is reduced 89% from the time it was enacted
- Despite prudent and effective management of limited resources, Oregon's aviation system has considerable unmet needs, particularly for rural air service and airport economic development, small airport deferred maintenance, needed infrastructure investment, and disaster preparedness.
- A modest increase in the jet fuel tax (amounting to less than $1 per ticket for passengers flying out of PDX) can meet all of the state's unmet aviation system needs
- ODA has developed a 5-element program for investment in Oregon's aviation system for the future of Oregon air service and airports

Oregon Fuel Tax History

- Oregon was the first state to implement a statewide fuel tax in 1919 at one ½ cent per gallon.
- Aviation fuel tax has only increased once since 1952.
- Increase by ½ cent per gallon in 1999 – restricted to pavement maintenance only.
- Tax is similar to automotive gasoline tax; assessed for the good of a statewide transportation system.
- General aviation piston-powered aircraft pay 9x the jet fuel rate per gallon.

Business Aviation in Oregon Today

- Smaller, more fuel efficient turbo prop and turbo jet planes are used today, burning jet fuel.
- Lower cost and operating expense means a broader customer base, not ‘Fortune 500’ companies.
- These heavier aircraft cause more ‘wear and tear’ on runways.
- Tax base, weather, and power rates make rural Oregon desirable.
- A two to four hour drive from PDX to the company site can be a deal breaker.
- 13% of Oregon’s aircraft are heavier, turbo craft, business type.
- Many commercial aircraft are based and registered in other states, and fly into Oregon. FedEx 208s that ferry cargo from PDX to rural Oregon airports are an example. Their only contribution to infrastructure upkeep is through fuel taxes.

Available Revenue for HB 2075

Function	Percent	2015-2017 $8.8 Million	2017-2019 $13 Million	How used?
Commercial Air Service	20%	$1.7 million	$2.6 million	Sustain 2 + airport service
Airport emergency retrofit/FAM grants	20%	$1.7 million	$2.6 million	Provide up to 26 $100k grants or 52 $50K grants
Assist with FAA Grant Match	20%	$1.7 million	$2.6 million	Provide 5% of FAA match (10%)
Airport Econ Development	20%	$1.7 million	$2.6 million	Provide up to 26 $100k grants or 52 $50K grants
Maintain state airport infrastructure	20%	$1.7 million	$2.6 million	Allocate up to $2,6 million for infrastructure projects

Basis for Revenue estimates

	Jet Fuel Tax Increase Based on $.04 Increase in Jet Fuel Tax Current rate $.01 Projected rate $.05		AV Gas Tax Increase Based on $.04 Increase in AV Gas Rate Current rate $.09 Projected rate $.13		Jet Fuel and AV Gas Tax Increase Based on $.04 Increase in Jet Fuel Tax and AV Gas Tax
	Gallons	Total Revenue	Gallons	Total Revenue	Total Revenue
***2015-2017 biennium**	239,457,371	**$ 11,972,869**	4,468,912	**$580,958**	**$ 12,553,827**
2017-2019 biennium	319,276,494	**$ 15,963,825**	5,958,549	**$774,611**	**$ 16,738,436**
15-17 or 17-19 Biennium at Current Rate		$ 3,192,765		$536,269	$ 3,729,034
Increase in Revenue for 2015-2017 Biennium		**$ 8,780,104**		**$ 44,689**	**$ 8,824,793**
Increase in Revenue for 2017-2019 Biennium		**$ 12,771,060**		**$ 238,342**	**$ 13,009,402**

**Bill's effective date is 1/1/2016 this calculation is for 3/4 of the 2015-17 Biennium*

Projections for revenue Based on 3 year Average Calculations for current Fuel Tax rates.

3 Year Tax Revenue Average from FY 2012-2014

	Jet Fuel		AV GAS	
FY	Gallons	Revenue	Gallons	Revenue
2012	154,977,253	$1,549,773	3,018,110	$271,630
2013	158,626,095	$1,586,261	3,130,210	$281,719
2014	165,311,393	$1,653,114	2,789,503	$251,055
Total	478,914,741	$4,789,147	8,937,823	$804,404
3 Year Average	**159,638,247**	**$1,596,382**	**2,979,274**	**$268,135**

Oregon has lowest tax rates + no sales tax on jet fuel

At 1 cent per gallon, Oregon has one of the lowest jet fuel tax rates in the region. See chart below.

State Fuel Tax Rate Comparison				
State	**Jet Fuel Tax**	**Aviation Fuel Tax**	**Commercial Aviation**	**Aviation Sales Tax**
Oregon	$0.01	$0.09	**No Domestic Commercial Exemption** Commercial International Exemption See Attachment A	No Sales Tax
Arizona	$0.03	$0.05	No Domestic Commercial Exemption Commercial International Exemption See Attachment A	No Sales Tax
California	$0.02	$0.18	Commerical Exemption Yes * Common carriers in the business of transporting persons or property for hire are exempt. For Additional exemptions see attachemnt A	7.25% Jet Fuel Sales Tax
Idaho	$0.06	$0.07	No Commercial Exemption For exemptions see Attachent A	No Sales Tax
Nevada	$0.01 *$0.04	$0.02 *$0.08	No Commercial Exemption Dealer Exemption for fuel purchased for another State or country for 500 g or less For additional exemptions see attachment A.	No Sales Tax
Washington	$0.11	$0.11	Commercial Exemption Yes Air Carriers for compensation are exempt Additional Exemptions See Attachment A.	6.5% Non Commercial Aviation Sales Tax 6.5% Commercial Aviation Use Sales Tax Plus an additional 0.5%-3.0% local sales tax

Notes:

* Each County is permitted to impose an additional tax at the rate specified

Why Should the Commercial Airlines Pay?

They benefit

- This state transportation system benefits all of Oregon and needs to be supported by all citizens.
- Commercial air service to the PDX hub will directly benefit the commercial carriers.
- Navigation equipment and emergency runways cost municipalities, not the commercial airlines. NextGen navigation, intended to increase fuel economy for commercial carriers, requires $100,000 minimum equipment at all federally funded airports.
- Current OR aviation fuel taxes are lower than 45 other states.
- Airports will be assessed for funding in terms of community need and commitment, with the goal of returning state-owned airports to municipalities as economically self-sustainable.
- 'Backcountry', recreational only airports will be maintained by user groups at no expense to the state.
- A healthy economy in all Oregon communities will increase commercial air carrier passengers.
- A percentage of this increase can be returned to commercial air service for promotion/development/sustainment

Airline Profits Dramatically Increased

Airline Net Income

in Millions of US Dollars

Source: Bloomberg Report

	2011	2012	2013	2014	% increase from 2011
JetBlue	86.0	128.0	168.0	401.0	466%
United Airlines	837.0	-723.0	571.0	1132.0	135%
Southwest Airlines	178.0	421.0	571.0	1136.0	638%
Alaska Airlines	245.0	316.0	508.0	605.0	246%

This is the future of General Aviation Rural airports in Oregon without additional Revenue to the System of Airports.

Crescent Lake State Airport