



# Oregon

Kate Brown, Governor

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To: Co-Chairs Byers and McKeown and members of the  
Joint Committee on Transportation

From: Betty Stansbury, Director

RE: HB 4036

Date: February 7, 2020

To assist with your decisions on the aviation related portions of HB 4036, the OR Department of Aviation offers the following:

- 1) Aviation Fuel tax – In 2015, the legislature increased the tax by two cents, to its current rate of eleven cents per gallon on AvGas and three cents per gallon on Jet fuel. The increase generates about \$4M per year/\$8M per biennium, which funds a grants program called ASAP. Five percent is used for administrative costs, with the remaining 95% split:
  - 50% to help fund local matching shares on federally funded airport capital projects, plus resiliency and economic development projects (called COAR)
  - 25% to fund repairs at the 28 state owned airports (called SOAR)
  - 25% to fund grants to local communities to assist with commercial air service development at rural OR airports (called ROAR)

The 2 cent increase approved by the legislature in 2015 sunsets in less than two years - on January 2, 2022. The grant program is currently the only state program available to assist local airports with capital improvement projects, as Connect Oregon funds (which provided \$98M to airports in cycles I - VI) is no longer available to airports.

- 2) The fuel tax increase has funded 98 grants since its inception in 2016.
  - 69 grants worth \$5.16M to locally owned airports for matching share on federally funded projects (COAR)
  - 26 repair projects at the state owned airports, for a total of \$4.8M(SOAR)
  - 3 grants to 3 airports for retention or recruitment of commercial airline service (ROAR) for a total of \$613,000.
- 3) Oregon has 97 public use airports. Fifty-six of them are eligible for federal grants for capital improvements. For the majority of these airports the federal grant will cover 90% of the cost, with a local match of 10%. (The six airports with airline service have a different match.) The 56 airports have \$279M in planned capital projects for the next five years, including 16 with major runway rehabilitations. Using the 10% average match, the airports will need to come up with almost \$28M for their matching share. And this amount does not include the 41 airports that are not eligible for federal funds.

*Oregon Department of Aviation's mission is to provide infrastructure, financial resources,  
and expertise to ensure a safe and efficient air transportation system*

HB 4036 includes a proposed additional two cents per gallon increase. If approved, this would generate an additional \$4M per year/\$8M per biennium that would be added to the existing grant program, with a total of \$8M/year. Even with that increase, it does not come close to replacing the amount of funds airports were receiving under Connect Oregon, nor does it generate sufficient funds for the estimated \$28M needed for local matching shares on proposed federally funded repairs, or begin to address repairs at the non-federally funded airports, which are located in our smallest, most economically challenged rural communities.

- 4) The portion of the grant program that funds recruitment of commercial airline service (ROAR) must be modified to comply with a recent Federal Aviation Administration ruling that says revenues from the fuel taxes cannot be used for revenue guarantees or subsidies. HB 4036 includes the proposed fix – to move the ROAR \$'s into the COAR program, and airports could apply for air service grants under COAR, (as long as the project complies with the federal policy for allowable uses).
- 5) HB 4036 also contains a housekeeping item, so that instead of two reports to the legislature (in September and February), ODA could just do one in September.
- 6) Amendment #9 is an administrative item, to remove the prioritization categories from statute and put them into administrative rule, and allows the State Aviation Board to adopt a definition of what 'rural Oregon' means (as it relates to the grant program).

I appreciate the Committee members taking the time to review this information, and I will be available to answer any questions you may have at the February 11<sup>th</sup> hearing (which also happens to be ODA's ninety-ninth birthday.)