

Department of Aviation

	2017-19 Actual	2019-21 Legislatively Adopted	2019-21 Legislatively Approved *	2021-23 Current Service Level	2021-23 Governor's Budget
Other Funds	12,429,592	20,035,792	20,221,517	18,078,054	20,949,490
Federal Funds	7,081,965	11,312,356	11,321,139	6,419,132	6,131,467
Total Funds	19,511,557	31,348,148	31,542,656	24,497,186	27,080,957
Positions	15	16	16	15	13
FTE	14.59	15.49	15.49	14.59	12.59

* Includes Emergency Board and administrative actions through January 2021.

Program Description

The Department of Aviation manages and coordinates the state's general aviation system, including recreational, business, and emergency response flying. The Department advocates for economic growth, infrastructure improvement, and safe operation of aviation in Oregon. The Department manages a large-scale pavement preservation program for the state's 66 paved public use airports. In addition to statewide aviation transportation plan management and land use coordination, the Department owns, manages, and operates 28 public use airports. The seven-member State Aviation Board, appointed by the Governor, represents aviation interests from the public and private sectors. The Board provides policy direction to the Department.

Key responsibilities include:

- Develop and implement the Oregon Aviation Plan and related policies
- Provide technical assistance on airport planning and development
- Administer the federal general aviation entitlement grant and pavement maintenance program
- Register aircraft
- Conduct safety inspections on state-owned and other Oregon public airports
- Maintain 28 state-owned airports to federal and state safety standards

CSL Summary and Issues

The Department of Aviation is supported entirely by Other and Federal Funds. Aviation and jet fuel taxes are the primary source of funding for agency operations. Other sources of revenue include aircraft registration fees, aircraft dealer license fees, hangar and site leases at state-owned airports, and other charges for services. The agency also receives Federal Funds from the Federal Aviation Administration (FAA) for aviation system planning and construction projects. The FAA grants cover 90% of project costs and require a 10% state match.

The current service level budget includes standard inflationary adjustments, but increases are masked by the removal of one-time funding approved for 2019-21 capital construction projects. Overall, the CSL represents a 22% decrease from the 2019-21 legislatively approved budget. Due to COVID-19 pandemic effects on aircraft fuel consumption, projected revenues are not expected to cover CSL expenditures.

Policy Issues

- As noted above, since revenues are inadequate, Pkg. 070 Revenue Shortfall reduces Other Funds expenditure limitation by \$753,514 primarily in the pavement maintenance program.
- In 2015, the Legislature passed HB 2075 to increase aircraft fuel taxes by two cents per gallon for aviation gasoline, jet fuel, and motor fuel used for aviation; the bill allowed the Department to retain 5% of the revenue for administration and established various dedications and allowable uses for the remainder of the revenue, namely grants to airports throughout the state for safety and infrastructure projects, FAA match, and commercial air service to rural Oregon. That tax increase sunsets on January 1, 2022 and the agency's 2021 bill (HB 2034) would eliminate the sunset and allow the agency to prioritize the distribution of some funds through administrative rule.
- Another 2021 agency bill, SB 38, allows establishment of a fee to help cover the cost of tall structure evaluations. The Department is responsible for determining whether specific objects or structures constitute a hazard to air navigation; these include permanent structures such as power poles, telecommunications towers, trees, buildings, signs or billboards, or wind turbines, as well as temporary structures such as construction materials or equipment, dirt piles and cranes.

Pandemic

- The COVID-19 pandemic has had a chilling effect on aircraft fuel consumption and the associated tax revenues that fund just under half of the 2019-21 budget; fuel tax revenues decreased by \$3 million in 2020. The Department did receive \$398,000 in federal CARES Act dollars last spring to help mitigate the loss of fuel tax revenues resulting from the COVID 19 pandemic; those grant funds were used to support eight positions for five months.
- Related to the significant drop in revenues caused by the pandemic, in August 2020 with the passage of HB 4304, the Legislature redirected funds from grant program reserves to operations to avoid an agency shutdown. The change sunsets June 30, 2021.

Other Significant Issues and Background

- The Governor's Budget for the Department reflects statewide reductions in DAS assessments and Attorney General rates, elimination of services and supplies inflation, and increased vacancy savings assumptions. In addition, it eliminates \$678,541 Other Funds expenditure limitation and 2 positions (2.00 FTE) in the operations program.

- Associated with the agency’s proposal (SB 38) to establish a fee for the tall structure program, the Governor’s Budget includes \$184,500 Other Funds revenue from new fees to help cover existing program costs.
- Revenue from lifting the sunset on the fuels tax increase (HB 2034) is also assumed in the Governor’s Budget, at \$4,603,625. These dollars are used to fund the aviation systems action program, which provides grants to airports throughout the state for economic development, FAA grant match, and emergency preparedness. The program also assists with funding commercial air service to rural Oregon and providing funding for safety improvements at state owned airports.
- Due to revenue uncertainty, the Governor’s Budget does not include any capital projects; the agency request budget contained two capital projects: \$1.5 million total funds to remove obstructions near a runway at the Aurora airport and \$3.3 million total funds to update lighting and rehabilitate the runway at the Siletz Bay airport.

Key Performance Measures

A copy of the Department of Aviation Annual Performance Progress Report can be found on the LFO website at https://www.oregonlegislature.gov/lfo/APPR/APPR_ODA_2020-09-29.pdf