

FISCAL IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

Measure: HB 2434 - 4

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Increases the aircraft fuel tax and the aircraft fuel tax for aircraft operated by a turbine engine. Changes the distribution of aircraft fuel tax proceeds.

Government Unit(s) Affected:

Oregon Department of Aviation, Oregon Department of Transportation (ODOT), Oregon Judicial Department (OJD), Legislative Assembly

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

House Bill 2434, as amended by the -4 amendments, replaces the introduced version. The measure increases the aircraft fuel tax (AvGas tax) from 9 cents to 11 cents a gallon, increases the aircraft fuel tax for aircraft operated by turbine engines (jet fuel tax) from 1 cent to 3 cents per gallon, and makes other conforming statutory changes. These tax increases apply to aircraft fuel sold, used, or distributed on or after January 1, 2022. The measure amends provisions governing the distribution of aircraft fuel tax proceeds and applies to applications for distributions submitted on or after its effective date. The measure increases the Critical Oregon Airport Relief (COAR) distribution from 50% to 75% and adds a fourth priority to the COAR program that will assist commercial air service to rural Oregon. The remaining 25% will fund the SOAR program for infrastructure and safety improvements at federally and non-federally funded state-owned airports. The measure allows the Oregon Department of Aviation (ODA) to enter into contracts, leases, and other arrangements, for a term not exceeding 30 years for noncommercial arrangements or 50 years for commercial arrangements, which applies to contracts, leases and other arrangements entered into on or after the measure's effective date. The measure takes effect 91 days after adjournment *sine die*.

Oregon Department of Aviation

The measure would have a fiscal impact on ODA. To comply with the measure, ODA will make rule changes as well as internal policy changes as necessary to comply with the alterations to the aviation fuel tax grants programs. ODA will change the date of the Aviation Board's submittal of the annual report to interim legislative committees of the Legislative Assembly related to air transportation to no later than September 15th of each year.

The fuel tax changes in this measure will be effective on January 1, 2022. If this were not to become law, then on January 2, 2022, the original fuel tax increase would sunset and the AvGas tax would return to 9 cents and the jet fuel tax would return to 1 cent. However, if this measure passes, the tax increases will not sunset and the taxes will remain at 11 cents for AvGas and 3 cents for jet fuel. The calculations are based on a 2-cent difference for both taxes starting six months into the 21-23 biennium. The measure would not change ODA's expenditures or revenue in the first six months of the 21-23 biennium.

For the 18 months of the 21-23 biennium that this increase will be in effect (January 1, 2022 to June 30, 2023) in Oregon, the Legislative Revenue Office estimates that the measure would increase AvGas tax revenues by

\$80,000 and jet fuel tax revenues by \$5,050,000 in 2021-23, and increase AvGas tax revenues by \$100,000 and jet fuel tax revenues by \$6,890,000 in 2023-25. Thus, the total estimated increase in revenue is estimated to be \$5.12 million Other Funds in 2021-23 and \$6.99 million Other Funds in 2023-25.

Of the \$5.12 million Other Funds in 2021-23 and the \$6.99 million Other Funds in 2023-25, ODA will distribute the revenue as follows:

- 5% will be expended for costs related to the administration of the programs, recorded as services and supplies (e.g., in-state travel, office expenses, telecommunications, Department of Justice charges, and information technology professional services for grant software expenses, etc.)
- The remaining 95% will fund the Aviation System Action Program and will be distributed among two areas, as the measure directs:
 - 75% will be distributed to the COAR Program, recorded as special payments, grants for Economic Development, Federal Aviation Administration grant match, emergency preparation and commercial air service to rural Oregon.
 - 25% will fund the SOAR program, recorded as services and supplies, capital construction and capital outlay, for infrastructure and safety improvements at federally and non-federally funded state-owned airports.

Oregon Department of Transportation

The measure would have a minimal fiscal impact on the Oregon Department of Transportation.

Oregon Judicial Department

The measure would have no fiscal impact on the Oregon Judicial Department.

Legislative Assembly

The measure would have no fiscal impact on the Legislative Assembly.