WSDOT Aviation Division

Airport Investment Study Update

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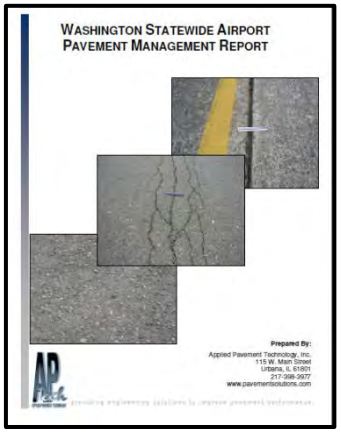
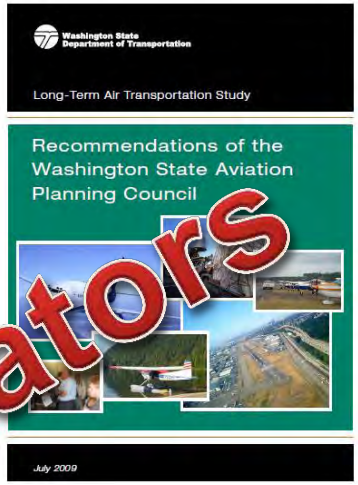
Airport Investment Study

Phase I—Overview

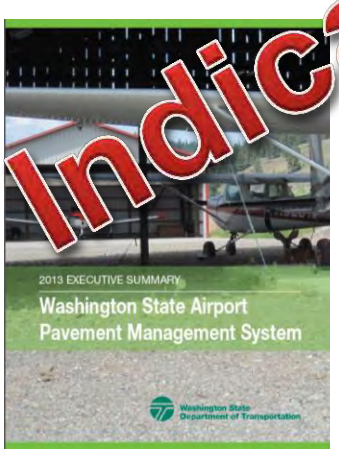
Why was the study necessary?

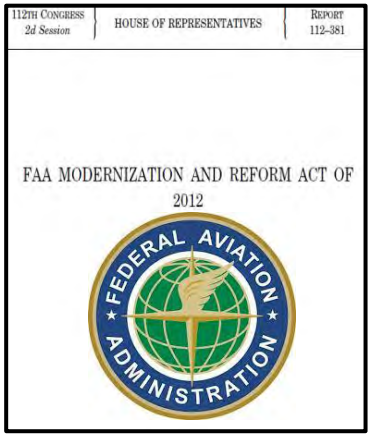
- **2005-** WSDOT airport pavement study
- **2009-** The Governor's Aviation Planning Council
- **2012-** The Federal Aviation Administration (FAA) Modernization and Reform Act
- **2012-** Airports requested $4 million in state grants; only $1 million available
- **2013-** WSDOT's updated pavement study
- **2013-** WSDOT's State Capital Improvement Program (SCIP)





Indicators





Airport Investment Study

Phase I—Overview

What did the study do?

- Evaluated current investment levels for airport preservation and safety projects.
- Assessed short-term and long-term statewide airport improvement needs.
- Determined consequences of maintaining the status quo funding level in terms of economic and aviation system impacts.

How did we do it?

- WSDOT and consultant CH2M Hill spearheaded the study.
- WSDOT formed an advisory committee comprised of a diverse group of 27 aviation stakeholders to provide feedback on the study's process and findings.

WASHINGTON AIRPORT INVESTMENT STUDY

What were the key findings?

• Washington state airports, across all categories, rely on state and federal grants to accomplish preservation and capital improvement projects.

• The Airport Investment Study estimates that the state's 134 public-use airports will need nearly **$3.6 billion** for eligible projects during the next 20 years.

• WSDOT's Airport Aid Program is forecasted to provide an average of **$1.4 million** in state airport grants per year, pending decisions from the legislature.

• The State's share of the overall program need of $3.6 billion is more than $240 million, resulting in an average annual need of more than **$12 million**.

WASHINGTON AIRPORT INVESTMENT STUDY

What are some potential consequences of not funding capital needs at Washington state airports?

• The state could lose out in $2 billion in economic output, 13,600 jobs and $74 million in uncollected tax revenues.

• Airports would face negative impacts to facilities and operations, especially at smaller general aviation airports not eligible for federal funds.

• Airport funding would focus on core infrastructure (e.g., runways and taxiways), while other critical infrastructure would likely be maintained and improved at reduced levels.

Emergency runway sink hole repair at Darrington Airport, funded by WSDOT.

Phase II - Solutions

Why was the study necessary?

- Phase I of the Investment Study identified the consequences of not funding airport capital needs.
- The study Advisory Committee recommended WSDOT undertake a follow-on phase to determine how to address the gap.

Solution Categories

- Funding Solutions
  - New Funding Sources
  - Refinements to Current Funding Programs
  - Revisions to Current Funding Sources
- Non-Funding Solutions
  - Aviation System Revisions
  - Airport Management Best Practices

Airport Investment Study

Phase II— Solutions Overview

33 Preliminary Solutions

Considered by Advisory Committee

13 New Funding Sources

- 1A) Alternative industry taxation Sources outside of aviation
- 1B) Utilize "Infrastructure Exchange" financing
- 1C) Corporate Sponsorships
- 1D) Public Private Partnerships, (P3) project funding
- 1E) Establish a state Passenger Facility Charge (PFC) head tax program
- 1F) Establish wide ranging state tax credits to airports
- 1G) Alternative taxing of airport operationally oriented uses
- 1H) Alternative taxing of on airport generated commercial activities
- 1I) Alternative taxing of the proportional value of transportation benefits derived
- 1J) Alternative economic development based consumption tax
- 1K) Establish a State sponsored revolving aviation infrastructure loan fund
- 1L) Establish a through the fence access fee structure
- 1M) Direct aviation administrative related fees

7 Refinements to Current Funding Programs

- 2A) Realignment of current funding allocations
- 2B) Restructure the current State transportation and general funds
- 2C) Tiered airport aid funding
- 2D) Set self-sustaining fee requirements for airports receiving grant funding
- 2E) Reduce sales tax exemption for other construction
- 2F) State of Washington to petition to become an FAA block grant state
- 2G) Modify project screening and evaluation process to allow for more project eligibility

6 Revisions to Current Funding Sources

- 3A) Increase existing aviation taxation rates
- 3B) Airport Leasehold taxes to go directly into the aeronautics account
- 3C) Revise Fuel Tax Exemptions
- 3D) Modify and improve the State aircraft excise tax program
- 3E) Utilizing other State and Federal grant funding sources
- 3F) Eliminate Aircraft Registration Exemptions, and Add New Registration Source(s)

7 Non-Funding Solutions

- 4A) Promote establishment of commissions/ airport authorities
- 4B) leverage USDOT paving contracts at airports
- 4C) De-Federalize State airports for construction contracts
- 4D) Improve aviation educational/marketing and outreach programs
- 4E) Right size airport infrastructure
- 4F) Develop a Management Best Practices toolkit for state airports
- 4G) Investigate FAA funding best practices by region

Potential Solutions

1. Public Private Partnerships (P3)
2. Alternative Taxing of Airport Operationally Oriented Uses
3. Alternative Economic Development-Based Consumption Tax
4. Establish a State-Sponsored Revolving Aviation Infrastructure Loan Fund
5. Realignment of Current Transportation Revenue Allocations
6. Reallocate Airport Leasehold Tax to the Aeronautics Account
7. Increase Select Aviation Tax Rates
8. Revise Fuel Excise Tax Exemptions
9. Modify the State Aircraft Excise Tax Program
10. Develop a Best Management Practices Guidebook/Toolkit for State Airports

1- Public Private Partnerships (P3)

• Development of an educational program for municipal and airport managers.

• The educational program would better define and instruct on:

-full versus partial privatizations;

-best practices for accessing and attracting private funding;

-federal and state laws governing P3 programs and resulting requirements;

-identification of successful full and partial privatizations in the aviation and non-aviation airport cities realm with lessons learned; and

-development of a P3 project implementation guide.

KEY BENEFITS

- New private funding source for airports.
- Efficient private sector project implementation and procurement.
- Neutral as far as stakeholder negative impacts.

KEY CHALLENGES

- Lack of awareness and understanding of public private partnerships
- Cost of funds for private debt may be higher than traditional bonding sources
- FAA grant assurances must be considered
- Full privatization involves significant State and Federal administrative and legal requirements

2- Alternative Taxing of Airport Operationally Oriented Users

• A nominal state tax on **airport parking** for commercial service airports. Revenues would be allocated directly to the Aeronautics Account.

- A potential 1% tax on that would bring in an additional $522,000 in aviation related funding.

• A nominal state fee on **commercial ground transportation** access for all commercial service airports--could include services that are already assessed access charges, such as taxis, shuttles, charters, etc.

- Revenue from ground transportation at Sea-Tac equaled almost $8 Million in 2013. The potential impact of a 1% state fee would be $80,000.

BENEFITS

- New aviation-generated funding source for airports.
- Diversification of Aeronautics Account revenue stream
- Helps aviation system to be self-sustaining

KEY CHALLENGES

- Additional burden placed ultimately on users at commercial airports
- Additional tax burden on businesses that derive livelihood at commercial airports
- Most revenues derived from large commercial service airports

3- Alternative Economic Development-Based Consumption Tax

- Enact a new state tax, similar to the existing special hotel/motel tax with the revenues earmarked for the state Aeronautics Account.
- Only apply to communities that have commercial service airports that promote tourism.
- The tax could validate the important role the aviation industry has in the overall state's tourism industry.
- DOR administered and designed to re-allocate funding from a source that is directly impacted by aviation.

KEY BENEFITS

- Leverages existing tax base already in place
- Correlation between tax and benefits being derived

KEY CHALLENGES

- Could be viewed as an anti-tourism tax
- Metric would need to be developed to provide strong link aviation system benefit to tourism

4- Establish a State-Sponsored Revolving Aviation Infrastructure Loan Fund

- Establish a SRF loan program in the State of Washington that would fund needed capital infrastructure for debt worthy projects at airports.
- The potential project types could include; multi-modal facilities; revenue producing facilities (air cargo, parking, etc.)
- Potential project types could be expanded to include a larger set of potential multimodal transportation projects that might interface with airports.

KEY BENEFITS

- New self-generated aviation funding source for revenue generating projects
- Wide range of user group support
- Relieves airport bonding and borrowing capacity for other projects and programs

KEY CHALLENGES

- Upfront seed money is required
- Limited to projects that produce revenues or cut costs to pay back the loans

5- Realignment of Current Transportation Revenue Allocations

- Solution would determine an appropriate allocation of the current .028% transfer of Motor Vehicle Fuel fund revenues to the Aeronautics Account, based upon a more equitable percentage share of aviation generated motor vehicle fuel consumption.
  - Examples of additional fuel use include ground service equipment (tugs, belt loaders), ARFF (Aircraft Rescue and Fire Fighting) equipment and operations vehicles.
- The solution could allocate a portion of the existing rental car tax revenues ($53.8 million in FY 2013-15 budget) currently allocated to the WSDOT Multi Modal Account to the Aeronautics Account.

KEY BENEFITS

- Diversification of revenues to Aeronautics Account
- Strong correlation between aviation use of motor vehicle fuels
- Strong correlation linking airport generated car rentals

KEY CHALLENGES

- Additional study required to provide metrics for motor vehicle fuel volumes used in aviation system and car rental volumes at WA airports
- Reallocating funds simply draws money away from other state transportation needs

6- Reallocate Airport Leasehold Tax to the Aeronautics Account

• In this solution the leasehold excise taxes generated by leases on publicly owned airports would be reallocated from the General Fund to the Aeronautics Account.

• Annual tax revenues from this possible solution are projected to be no more than $25 million annually, since this is the share of leasehold excise taxes that the state averages annually from leases on all state land sources.

KEY BENEFITS

- Improves self-sustainability of state's aviation system
- Does not impose additional taxes
- Those paying taxes benefit from the tax

KEY CHALLENGES

- There are significant competing interests for revenues in the General Fund
- Reallocating funds simply draws money away from other state needs and priorities

7- Increase Select Aviation Tax Rates

• In this solution proposed legislative changes would increase the aviation fuel excise tax rate from $0.11 per gallon to $0.155 per gallon to match the rate found in New Jersey.

•Changes would result in over $1 million in new revenue generated for the Aeronautics Account.

KEY BENEFITS

- Improves self-sustainability of state's aviation system
- Impacts users in proportion to their use and benefit from the system
- Expands an existing user tax
- Those paying taxes benefit from the tax

KEY CHALLENGES

- Places increased burden on largest aviation revenue source
- Could result in weaker demand for fuel purchased in state, resulting in less than anticipated revenues

8- Revise Fuel Excise Tax Exemptions

- Solution would revise fuel excise tax exemptions so that the $0.11 per gallon fuel excise tax is applied as uniformly as possible.
- Some exemptions would be kept in place to avoid legal issues (Federal government exemptions).

KEY BENEFITS

- Improves self-sustainability of state's aviation system
- Does not impose a new tax
- Fulfills public policy

KEY CHALLENGES

- Could result in increased air fares
- Could result in reductions or elimination of air service, leading to reduced travel and trade, impacting jobs and economic recovery
- Could result in weaker demand for fuel purchased in state, resulting in less than anticipated revenues
- Opposition from currently exempted entities
- Could lead to less revenue to state and local government, reduced tourism, and less economic growth

9- Modify the State Aircraft Excise Tax Program

- This solution would change the allocation of aircraft excise taxes so that it all gets deposited into the Aeronautics Account instead of just 10 percent of the proceeds.
- The Washington legislature considered allocating 100% of aircraft excise taxes to the Aeronautics Account during its 2014 session. However, time ran out before the Legislature could pass a final version of the bill.
- Aircraft excise taxes could be applied to unmanned aircraft.

KEY BENEFITS

- Improves self-sustainability of state's aviation system
- Accounts for unmanned aircraft
- Does not impose a new tax
- Supports current legislative efforts to direct 100% aircraft excise tax to aviation

KEY CHALLENGES

- There are significant competing interests for revenues in the General Fund
- Publicly owned unmanned aircraft may be exempt from tax

10- Develop a Best Management Practices (BMP) Guidebook / Tool Kit for Airports

- Solution would be the development of a BMP guidebook/toolkit.
- Distribute guidebook/toolkit information and conduct training for interested airports and municipal managers.
- BMP guidebook would document those practices from throughout the U.S. and around the world that are helping airports improve their bottom line, and thus have more funding available for needed capital development.

KEY BENEFITS

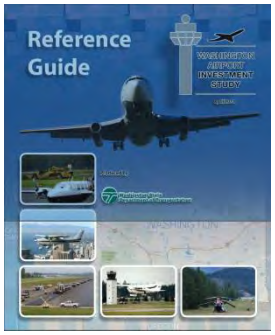
- Consistent with FAA supported efforts to help GA airports become self-sufficient in CO
- Wide range of user group support
- Short, medium and long-term benefits to state funding needs

KEY CHALLENGES

- Requires buy-in from airport sponsors and governing agencies
- Some airports may not want to cast light on their current operations
- May be viewed as overstepping by WSDOT

Questions & Contacts

WSDOT Aviation-
Airport Investments Study website:
http://www.wsdot.wa.gov/aviation/



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