

HOUSE BILL REPORT

HB 1656

As Reported by House Committee On: Transportation

Title: An act relating to a community aviation revitalization loan program.

Brief Description: Establishing a community aviation revitalization loan program.

Sponsors: Representatives Dent, Gregerson, Hargrove, Tarleton, Klippert and Clibborn.

Brief History:

Committee Activity:

Transportation: 2/13/17, 2/20/17 [DP].

Brief Summary of Bill

- Creates the Community Aviation Revitalization Loan Program (loan program) and establishes a revolving loan account within the Aeronautics Account.
- Requires the Washington State Department of Transportation's Aviation Division to administer the loan program.
- Creates the Community Aviation Revitalization Loan Oversight Task Force to oversee and provide consultation on the loan program.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 22 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Fey, Vice Chair; Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Harmsworth, Assistant Ranking Minority Member; Chapman, Gregerson, Hayes, Irwin, Lovick, McBride, Morris, Ortiz-Self, Pellicciotti, Pike, Riccelli, Shea, Stambaugh, Tarleton, Van Werven and Young.

Minority Report: Do not pass. Signed by 1 member: Representative Kloba.

Staff: Patricia Hasan (786-7292).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

A combination of federal, state, and local funds are leveraged to address airport capital and preservation needs at public-use airports. There are currently 137 public-use airports eligible for funding from the Washington State Department of Transportation's (WSDOT) Airport Aid Grant Program (grant program), through which the WSDOT solicits grant applications and awards funds, capped at \$250,000 for an individual applicant, once per year. Any city, county, airport authority, political subdivision, federally recognized Indian tribe, public corporation, or person(s) that owns and operates a public-use airport included in the Washington Aviation System Plan is considered an eligible airport sponsor within the grant program and may apply for grant program funds. The municipality, tribe, or person(s) may act jointly with other municipalities, tribes, or persons to plan or carry out the project. Airport sponsors applying for grants must own or have a long-term lease for the land upon which the project will be completed. Sixty-four of the public-use airports in Washington are also eligible to receive federal funding through the federal Airport Improvement Program.

In 2013 the WSDOT began an Airport Investment Study to evaluate short- and long-term airport capital and preservation needs at Washington's public-use airports and identify any potential gaps between forecast funding and needs. The WSDOT found that the 134 public-use airports evaluated for the study would need an estimated \$3.6 billion in project funding during the 20 years following the study.

Analysis of the study resulted in 10 core solutions to bridge the funding gap detailed in an *Airport Investment Solution Handbook* produced in July 2015. One core solution is to establish a state-sponsored revolving aviation infrastructure loan fund. A revolving loan fund is meant to be a self-replenishing pool of funds, using interest and principal payments on old loans to issue new loans. The WSDOT found the key benefits of this approach to include: (1) a new self-generated aviation funding source for revenue-generating projects; (2) a wide range of user group support; and (3) relief for airport bonding and borrowing capacity for other projects and programs. However, key challenges observed by the WSDOT are that: (1) upfront seed money is required; and (2) loans are limited to projects that produce revenue or cut costs to pay back the loans.

Summary of Bill:

The Community Aviation Revitalization Loan Program (loan program) is established for local and small airports to acquire loans to fund capital projects. A revolving loan account is established in the Aeronautics Account to fund the loan program, and interest on a loan is the federal rate of interest at the time the loan is borrowed by an airport. The interest received on a loan and the full balance of the initial loan is repaid into the revolving loan account to fund additional capital projects. The WSDOT may accept gifts, grants, loans of funds, property, contributions, or other aid in any form from allowable sources to further the revitalization loan program. The WSDOT may also accept federal agency loans or grants for the planned financing of a project. The Office of the State Treasurer must establish a new revenue source code to track the revenue that is dedicated to the loan program.

The WSDOT Aviation Division will administer the loan program and must adopt rules and criteria for evaluating and approving loans to small and local airports. Loans may be

provided to airports owned or managed by political subdivisions of the state or privately owned airports that provide public access or other public benefit, and do not have more than 50,000 annual commercial service passenger enplanements as reported to the Federal Aviation Administration. Loans will only be awarded to applicants that clearly identify a viable source of funds intended to repay the loan. When evaluating loan applications, the WSDOT must consider whether the project will encourage job creation, provide capital improvements to the airport, result in long-term economic opportunities dependent on the airport, or result in leveraging additional federal funding for the airport.

The Community Aviation Revitalization Loan Oversight Task Force (Task Force) is created to oversee and provide consultation to the WSDOT regarding the loan program. The Chair of the Task Force will be the Secretary of Transportation or his or her delegate. Members of the Task Force will be two people from each of the two largest caucuses of Washington's House of Representatives and the Senate, as appointed by caucus leadership; a nonvoting member will be from the Department of Commerce (Commerce) as designated by the Director of Commerce. The Task Force will consult on, review, and approve rules prepared by the WSDOT for implementation and administration of the loan program. Additionally, the Task Force must be consulted before the WSDOT approves projects to receive a loan.

Financial and commercial information and records supplied by the applicant for a loan through the loan program are exempt from disclosure.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Local and small airports are degrading, and an investment is needed to keep them functional. The grant program in place already is helpful, but some airports have projects that do not fall within the scope of the grant program. The loan program would bridge that gap. The revolving loan account is established, and funding will be determined later.

The Port of Kennewick completed a study in 2011 regarding profitability of airports in the state and found that only two airports, SeaTac and the Port of Shelton, were profitable. The Port of Shelton Commission had previously invested in the airport's infrastructure that led to increased revenue and profits. Most airports are not self-sustaining on hanger fees alone, and a loan program to fund infrastructure projects will give airports the opportunity to be self-sustaining.

The shortfall in airport need is approximately \$12 million per year during the next 20 years. The WSDOT aviation grants support \$1 million to \$2 million in projects per year, making the

shortfall significant. When federal funding does apply, as it does in the case of the 64 airports eligible in Washington, it is substantial; a federal grant will supply 90 percent of the funding needed for a project. However, these grants do not fund anything other than airside projects—runways, landing areas, taxiways, and the engineering and planning costs for these projects. All other infrastructure projects, including electrical needs, water needs, or hangars, are not eligible for federal or state grants. The airport sponsors are responsible for funding these types of projects. The loan program would provide a new funding source for these airports to fund revenue-generating projects that cannot be funded by other means. Colorado has had a comparable loan program since 1999; through this program, 11 airports have funded 21 projects through 21 loans, totaling \$32 million.

(Opposed) None.

Persons Testifying: Representative Dent, prime sponsor; John Dobson, Washington State Aviation Alliance; and Warren Hendrickson, Aircraft Owners and Pilots Association.

Persons Signed In To Testify But Not Testifying: None.