

HOUSE BILL REPORT

EHB 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], 2/6/18 [DPS].

Brief Summary of Substitute Bill

- Directs the Washington State Department of Transportation (WSDOT) to convene a Community Aviation Revitalization Board (Board) to provide loans to certain public use airports for projects that support general aviation activities.
- Requires the WSDOT to provide support for the Board.
- Provides guidelines for what the Board may and may not do and for how the Board should receive and review loan applications.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Clibborn, Chair; Fey, Vice Chair; Wylie, Vice Chair; Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Harmsworth, Assistant Ranking Minority Member; Chapman, Gregerson, Hayes, Irwin, Kloba, Lovick, McBride, Morris, Ortiz-Self, Pellicciotti, Pike, Riccelli, Rodne, Shea, Stambaugh, Tarleton, Valdez, Van Werven and Young.

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 Substitute Bill:

Community Aviation Revitalization Board.

The Community Aviation Revitalization Board (Board) as established in the Capital Budget (Substitute Senate Bill 6090) is codified to make direct loans to airport sponsors of public-use airports in the state for the purpose of airport improvements that primarily support general aviation activities.

The Board has the following membership requirements:

- chairs and ranking minority members of the transportation committees of the House of Representatives and the Senate (or their designees);
- representatives from the WSDOT's Aviation Division and the Department of Commerce (Commerce);

- five members appointed by the Secretary of Transportation (Secretary) to represent the following: port districts, counties, cities, airport managers, and a general aviation pilots organization within the state; and
- the Director of Commerce and the Secretary (or their designees), as nonvoting advisory members.

The chair must be appointed by the Secretary, and the vice chair must be selected by the Board members.

The Board may:

- adopt bylaws, an official seal, and rules necessary to carry out the Public Use General Aviation Airport Loan Program (Loan Program);
- accept from any federal agency loans or grants for the financing of projects; and
- accept any gifts, grants, loans of funds, property, or financial or other aid in any form from other sources.

Board members may not participate in any decision the Board makes on loan applications in which the Board member has a direct or indirect interest with the loan recipient or project. The Board must develop rules to implement the Loan Program, including how loan applications are to be made and submitted. The Board must also conduct public outreach regarding the Loan Program.

The WSDOT is required to provide staff support to the Board and to manage its fiscal and contract services. The Board must meet three times per year or as deemed necessary by the WSDOT. Both the Board and the WSDOT must keep proper records of accounts, which are subject to audit by the State Auditor.

Loan Application and Evaluation Requirements.

Loans may be provided by the Board for airport improvements only if the state is receiving commensurate public benefit. This must include a commitment to provide public airport access for a period of time equivalent to 1.5 times the term of the loan. Loans may be provided to airports having less than 50,000 annual commercial air service passenger enplanements as published by the Federal Aviation Administration.

The Board must determine the interest rate, terms and conditions of loans, and whether any local match will be required. Repayment of a loan must begin within three years after a loan is awarded, and loans cannot exceed 20 years in duration. The Board must prioritize applications that provide conclusive justification that completion of the loan application project will create revenue-generating opportunities.

Airports must apply to the Board for loan consideration. An application must:

- be supported by the port district, city, or county in which the project is located; and
- clearly identify the source of funds intended to repay the loan.

The Board must use, but is not limited to using, the following criteria when evaluating a loan application:

- that a specific private development or expansion is ready to occur and will occur if the aviation facility improvement is made;

- that the loan application project improves opportunities for the successful maintenance, operation, or expansion of an airport or adjacent airport business park;
- that the loan application project results in the creation or retention of long-term economic opportunities; and
- that the loan application project results in leveraging additional federal funding for an airport.

Loan Account.

The Public Use General Aviation Airport Loan Revolving Account (Account) as created in the Capital Budget (Substitute Senate Bill 6090) is codified. Funds in the Account may only be used to fund authorized loans as approved by the Board, and repayment of the loans must be paid back into the Account.

Definitions.

The following definitions are made for use in aeronautics statutes:

- "Airport sponsor" means any public agency or private entity owning or leasing a public use airport.
- "Public agency" means any state, political subdivision of a state, tax-supported organization, or Indian tribe.
- "Public-use airport" means any airport that is used for public, governmental, county, or municipal purposes for matters of public necessity.

Substitute Bill Compared to Engrossed Bill:

Community Aviation Revitalization Board.

The substitute bill establishes the Board to administer the Public Use General Aviation Airport Loan Program (Loan Program), instead of allowing the WSDOT to administer the Loan Program with consultation from the Community Aviation Revitalization Loan Oversight Task Force (Task Force) as is done in the engrossed bill. Administration of the Loan Program includes adopting rules for evaluating and approving loan applications, accepting federal agency loans or grants, accepting forms of financial aid from other sources, and evaluating and approving loan applications.

The substitute bill directs the following Board membership requirements:

- chairs and ranking minority members of the transportation committees of the House of Representatives and the Senate (or their designees);
- representatives from the WSDOT Aviation Division and Commerce;
- five members appointed by the Secretary to represent the following: port districts, counties, cities, airport managers, and a general aviation pilots organization within the state; and
- the Director of Commerce and the Secretary (or their designees), as nonvoting advisory members.

The chair must be appointed by the Secretary, and the vice chair must be selected by the Board members.

The engrossed bill directs the following Task Force membership requirements:

- two people from each of the two largest caucuses of the House of Representatives to be appointed by the Speaker of the House of Representatives;

- two people from each of the two largest caucuses of the Senate to be appointed by the President of the Senate; and
- a nonvoting representative from Commerce as designated by the Director of Commerce.

The chair is to be the Secretary of Transportation.

Loan Application and Evaluation Requirements.

The substitute bill directs the Board to determine interest rates for loans, whereas the engrossed bill set the interest rates for loans as the federal rate of interest at the time the loan is received. The substitute bill requires applications for loans to be supported by the port district, city, or county in which the project is located. The requirement that loan application information be exempt from disclosure is removed. The Board must set terms and conditions of loans and whether any local match will be required. Repayment of a loan must begin within three years after a loan is awarded, and loans cannot exceed 20 years in duration. The Board must prioritize applications that provide conclusive justification that completion of the loan application project will create revenue-generating opportunities.

The substitute bill directs that the Board must use, but is not limited to using, the following criteria when evaluating a loan application:

- that a specific private development or expansion is ready to occur and will occur if the aviation facility improvement is made;
- that the loan application project improves opportunities for the successful maintenance, operation, or expansion of an airport or adjacent airport business park;
- that the loan application project results in the creation or retention of long-term economic opportunities; and
- that the loan application project results in leveraging additional federal funding for an airport.

The engrossed bill directs that the WSDOT must consider the following conditions when evaluating a loan application:

- if the proposed project will lead to additional investment or permanent family wage jobs;
- if the proposed project will provide capital improvements to augment maintenance, operation, or expansion of an airport or its associated airport-related business park;
- if the proposed project will result in retention, expansion, or creation of long-term economic opportunities dependent on the airport or related aeronautic services; or
- if the proposed project will result in leveraging additional federal funding to an eligible airport.

Loan Account.

The substitute bill creates the Account to be used only to fund authorized loans as approved by the Board in place of the Community Aviation Revitalization Revolving Loan Account as created in the engrossed bill to be used to fund authorized loans and for the WSDOT's expenditures associated with administering the Loan Program.

Definitions.

The substitute bill makes the following definitions for use in aeronautics statutes:

- "Airport sponsor" means any public agency or private entity owning or leasing a public use airport.
 - "Public agency" means any state, political subdivision of a state, tax-supported organization, or Indian tribe.
 - "Public use airport" means any airport that is used for public, governmental, county, or municipal purposes for matters of public necessity.
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Appropriation: None.

Fiscal Note: Requested on February 10, 2018.

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

Staff Summary of Public Testimony:

See House Bill Report in the 2017 Legislative Session.

Persons Testifying:

See House Bill Report in the 2017 Legislative Session.

Persons Signed In To Testify But Not Testifying:

See House Bill Report in the 2017 Legislative Session.