



# Executive Summary

## Background

Washington State Department of Transportation's (WSDOT) Airport Investment Study was initiated to understand historical federal and state funding levels, forecast likely future funds availability, identify the total statewide airport preservation and capital needs, and identify any potential gaps between forecast funding and needs. The study was completed in April of 2014 and updated in November of 2014.

The study determined the state's 134 public-use airports will need an estimated \$3.6 billion in projects over the next 20 years. A combination of federal, state and local funds are leveraged to address airport capital and preservation needs.

Based on funding forecasts, the study estimates that WSDOT's Airport Aid Grant Program will be able to contribute approximately \$1.4 million per year on average over the next 20 years. WSDOT's share of the overall \$3.6 billion program need is more than \$240 million, resulting in an average annual need of more than \$12 million.

The study identified potential consequences if the state's airport capital and preservation needs continue to be underfunded:

- The state would not realize potential \$2 billion in economic output, 13,600 jobs, and \$74 million in tax revenues.

- Airports would only be able to address core infrastructure such as runways and taxiways, while other critical infrastructure would be maintained and improved at reduced levels.
- Smaller general aviation airports that are not eligible for federal funds would not have the ability to implement a majority of their planned capital projects.

A study Advisory Committee, consisting of a wide array of aviation stakeholder groups in Washington State, recommended a follow-on study that would explore solutions to address the State's portion of the funding gap.

## Purpose

WSDOT Aviation initiated the Airport Investment Solutions Study in an effort to develop a compilation of solutions that address both funding and non-funding related approaches, benefit the aviation system and as many of its users as possible, and translate into defined implementation strategies.

**Findings from this study will provide WSDOT Aviation with feasible solutions and implementation strategies that WSDOT or aviation stakeholders may leverage to address the statewide airport preservation and capital needs.**

## Goals and Objectives

The overall goal of the study is to identify and analyze potential implementable solutions to address the airport preservation and

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improvement needs of the Washington State aviation system.

Key Study Objectives include:

- Seek solutions that produce the greatest benefit to the aviation system capital and preservation needs.
- Seek solutions that yield scalable and appropriate outcomes to users.
- Seek solutions that support the Governor's "Results Washington" initiatives and support Washington State "Priorities of Government."
- Seek solutions that improve the aviation system benefit to the Washington State Economy.

The project scope of work is developed specifically to accomplish the study goals, and address each of the key objectives along the way. The project team referred to the study goals and objectives to make decisions throughout the project.

## Approach Summary

### Study Process

A tailored transportation planning study process was developed to successfully accomplish the study, based on the project's goals and objectives. The process provided integrated and meaningful touch points with aviation stakeholders (identified to participate on a Study Advisory Committee) and interested parties focused on crucial two-way dialogue on key project issues, at the points in the process where those issues should be vetted. Further, the study process solicits input from legislators on draft solutions and study documentation. The primary steps are summarized as follows:

- **Project Initiation** – Established and validated project goals, objectives, risks, and success factors.
- **Solution Development, Screening, and Prioritization** – Brainstormed, defined, categorized, screened and prioritized solutions to a list of

viable solutions recommended for further analysis.

- **Solution Analysis and Evaluation** – Researched and refined solutions to understand in-depth. Identified strengths, weaknesses, opportunities, threats, implementation strategies and generalized timelines. Assessed solution performance towards the study objectives, identified potential benefits and impacts to aviation industries, provided economic analysis to support additional state funding of airports, and provided a comparison of solutions to ascertain relative opportunity for implementation and potential benefits and impacts to aviation industries.

**Legislative Coordination** – Reviewed draft solutions and documentation with state legislators to further refine solutions, implementation strategies and potential timelines.

**Documentation** – Documented the study methodology and findings.

### Study Advisory Committee Overview

The same Advisory Committee was retained from the Airport Investment Study and commissioned to serve in an advisory role throughout the study process to:

- Provide representation for a broad cross-section of aviation sectors
- Act as a sounding board for understanding of project research and analyses
- Be a conduit for external project communications

The Committee was comprised to represent a wide array of aviation stakeholder groups in Washington State, including:

- Airport Associations and Operators
- Aerospace
- Commercial Aviation and Airlines



- Business Aviation
- Emergency Medical Air Transport
- Aerial Agriculture Industries
- General Aviation
- State and Local Agencies
- Transportation Planning Organizations

The perspectives of each of these groups were invaluable to providing a study that both listens to and speaks to all of the key aviation stakeholders in the state.

## Summary of Findings

### Solutions Development and Screening

#### Initial Solution Ideas

The consultant team developed an initial list of solution ideas. During the May 28th, 2014 Advisory Committee meeting, the Committee divided into groups for a solutions brainstorming session. The brainstorming session was highly interactive, and the teams were encouraged to “think outside the box” and document all ideas for consideration.

An initial list of 33 solutions emerged by compiling the consultant team and Advisory Committee solutions. The team organized solution ideas into the following categories:

- **New Funding Sources** – new state revenue sources for WSDOT Aviation’s Airport Aid Program
- **Refinements to Current Funding Programs** –adjustments to the appropriation or distribution of existing state funding resources to the Washington State transportation system, including the aviation system.
- **Revisions to Current Funding Sources** –optimization of existing state aviation revenue sources to benefit WSDOT Aviation’s Airport Aid Program
- **Other Potential Solutions** – Non-funding related solution ideas that manage statewide airport capital and preservation needs and costs

Exhibit 1-1 illustrates the initial list of solutions.

#### EXHIBIT 1-1 Initial Solutions

#### 13 New Funding Sources

#### 7 Refinements to Current Funding Programs

#### 6 Revisions to Current Funding Sources

#### 7 Aviation System Revisions/Airport Management Best Practices

- 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
- 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
- 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)
- 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



## Solutions Screening and Evaluation

The consultant team screened the initial solutions to help narrow down the array of solutions to those that are feasible, acceptable, suitable, distinguishable, and complete. Each solution was evaluated against nine screening criteria that were developed and vetted with the Advisory Committee. Solutions were required to meet all of the screening criteria to continue to be considered in the Study. One solution (1a) was screened out, and three solutions (1c, 4a, and 4d) were consolidated with solution 4f.

The remaining solutions were evaluated to compare and prioritize a set of solutions that best met the study objectives. This set of solutions would be recommended for further analysis in the study.

The consultant team and Advisory Committee developed and refined a set of criteria that aligned with the study objectives. The criteria were weighted to align with Advisory Committee, consultant team, and WSDOT prioritizations.

Each solution was evaluated based on the weighted criteria to come up with a weighted score for each solution. The solutions were prioritized based on the weighted scoring.

## Solutions Recommended for Further Study

Exhibit 1-2 presents the initial prioritized solutions. The top thirteen solutions were recommended to move forward in the study for further analysis and evaluation.

### EXHIBIT 1-2

#### Initial Solution Prioritization – Solutions recommended for further analysis.

Solution	Solution Name	Rank - Total Score (No Weight)	Weighted Score	Rank - Weighted Score
3b	Airport leasehold taxes to go directly into the aeronautics account	1	133	1
2a	Realignment of current funding allocations	2	130	2
2b	Restructure the current State transportation and general funds	2	130	2
1j	Alternative economic development based consumption tax	2	130	2
1i	Alternative taxing of the proportional value of transportation benefits	6	125	5
1d	Public Private Partnerships, (P3) project funding	2	125	6
4f	Develop a Management Best Practices toolkit for state airports	6	123	7
3a	Increase existing aviation taxation rates	8	120	8
1g	Alternative taxing of airport operationally oriented uses	10	118	9
3c	Revise Fuel Tax Exemptions	10	118	10
3d	Modify and improve the State aircraft excise/sales tax program	10	118	10
1k	Establish a State sponsored revolving aviation infrastructure loan fund	10	116	12
1b	Utilize "Infrastructure Exchange" financing	8	115	13

## Solution Analyses

### Methodology

The study team reviewed the thirteen solution concepts (per Exhibit 1-2) identified for further analysis. **The objective of the analysis was to better understand each solution's key issues, strategies for implementation, and make initial refinements and improvements.**

Analysis of each solution included the following:

- **Solution Refinement and Validation** – Researched solutions and revised each solution's overview, key components and steps, key constraints, and results.
- **Current State, Proposed Solution, and Future State if Implemented** – Reviewed solutions to understand how things are working today (current state), what changes need to be made to enact the solution, and how things would work (future state) subsequent to implementation.





- **Strength, Weakness, Opportunity and Threat (S.W.O.T.) Analysis** – Evaluated specific strengths and weaknesses and identified external threats and opportunities for each solution.
- **Implementation Timeline** – Identified major steps for implementation and associated solutions with a short-term (0-2 years), medium term (2-5 years), or long-term (5+ years) implementation timeline.
- **Implementation Strategies** – Identified strategies to mitigate potential solution weaknesses or threats, and/or capitalize on potential strengths and opportunities.
- **Solution Variations** – Identified potential variations for how solutions may be achieved.

## Results

Upon completion of the analyses, each solution was re-evaluated against the original screening criteria to confirm that solutions remain feasible, acceptable, suitable, distinguishable, and complete. As a result, three solutions were recommended to be set aside, and not included in subsequent performance analysis:

- **Solution 1B – West Coast Infrastructure Exchange (WCX)**

**Project Funding** – May not be feasible to bundle projects to \$100 to \$150 million to attract investors.

- **Solution 1I – Alternative Taxing of the Proportional Value of Transportation Benefits Derived** - It is very unlikely that widespread support can be established to target and assess businesses that benefit from the aviation system.

- **Solution 2B – Modify Current State Transportation Funds Allocations** - May not be politically feasible due to the challenge of analyzing all Washington State transportation revenue sources and needs for all modes of transportation, and identifying criteria and metrics to apply and prioritize across the modes.

Exhibit 1-3 illustrates the revised and refined ten core study solutions. The solution numbering scheme was simplified (1-10), but previous numbering was retained for reference and continuity. The ten core solutions are overarching approaches, and some solutions have variations that have been analyzed and assessed separately. One-page summaries for each solution are provided at the end of the Executive Summary.

## EXHIBIT 1-3 Core Solutions Recommended for Performance Analyses

REVISED SOLUTION (IN ORDER OF SOLUTION REFERENCE NUMBER)	PREVIOUS SOLUTION REFERENCE NUMBER(S)
1. Public Private Partnerships (P3)	1D
2. Alternative Taxing of Airport Operationally Oriented Uses	1G
3. Alternative Economic Development Based Consumption Tax	1J
4. Establish a State-Sponsored Revolving Aviation Infrastructure Loan Fund (SRF)	1K
5. Realignment of Current Transportation Revenue Allocations	2A
6. Reallocate Airport Leasehold Tax to the Aeronautics Account	3B
7. Increase Select Aviation Tax Rates	3A
8. Revise Fuel Excise Tax Exemptions	3C
9. Modify the State Aircraft Excise Tax Program	3D
10. Develop a Best Management Practices (BMP) Guidebook / Toolkit for Airports	4F



## Performance Analyses

### Potential Solution Contributions

Analysis of each of the solutions generated a solution proposal, along with potential solution variations as potential means for contributing either:

1. additional revenues to address the statewide aviation system capital and preservation needs, or
2. ways to reduce the cost element of the statewide aviation system capital and preservation needs.

For many of the solutions and variations, the predicted contribution levels once the solutions are implemented are challenging to predict to any degree of certainty.

Due to the ambiguity of specific revenue potential for each solution at this stage, the study team identified three potential contribution levels to map the solutions to, based on \$4 million ranges, from \$0 to \$12 million. \$12 million is used as an upper bound, to coincide with the average annual state share of the 20-year statewide program need. The contribution levels are:

■ Contribution Level 1: \$0 to \$4 million

■ Contribution Level 2: \$4 to \$8 million

■ Contribution Level 3: \$8 to \$12 million

### Solution Comparison

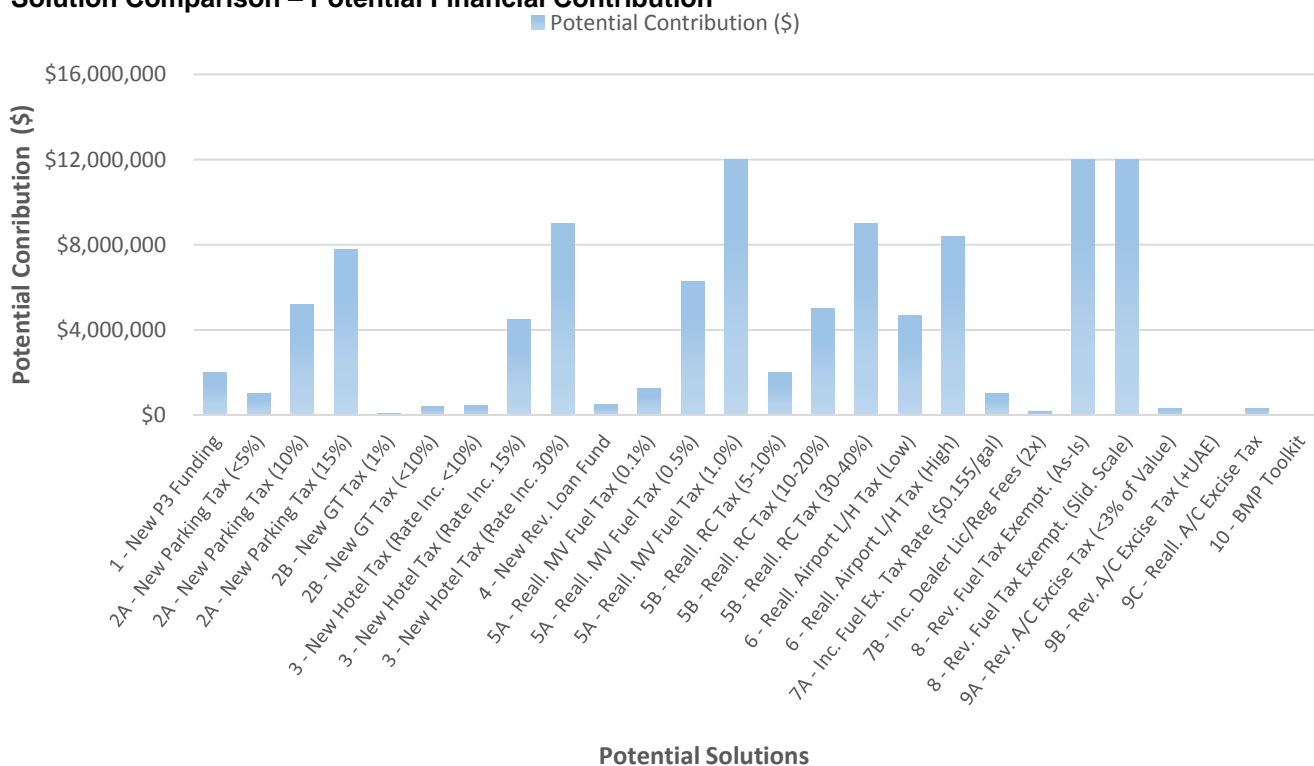
Each of the ten solutions analyzed further in the study are viable options for implementation. The study provides a baseline understanding of the potential contribution, strengths, weaknesses, benefits, and impacts for each solution.

Exhibit 1-4 illustrates potential contribution amounts, based on scenario-based data provided in the study. Potential contribution amounts are truncated at \$12 million although some solutions could exceed that amount.

Solutions and possible variations are presented to illustrate potential contribution, depending on the selected approach. For example, *Solution 2 – Alternative Taxing of Airport Operationally Oriented Uses* is split into 2A – *New Parking Tax*, and 2B – *New Ground Transportation (GT) Tax*. Further, for 2A and 2B, different contribution levels are possible depending on the tax rate. Exhibit 1-4 depicts a wide array of potential contributions for the ten solutions.

#### EXHIBIT 1-4

#### Solution Comparison – Potential Financial Contribution



It is valuable for WSDOT and aviation stakeholders to understand the potential relative level of interest and complexity in implementing each of these solutions. The study team determined that stakeholder support, and impacts to industry are two key components that may provide insight as to the relative ability for WSDOT to move solutions forward.

The study team assessed each solution and its variations against criterion “stakeholder support”, and against “tax impacts to industry”.

Exhibit 1-5 overlays potential stakeholder support onto the previous solution “contribution” exhibit. Stakeholder support is measured on the right axis of the Exhibit, on a scale of 1 to 5, with 1 representing poor support, and 5 representing wide support. Green circles represent the stakeholder support scores for each solution.

Exhibit 1-5 also overlays tax impacts to industry. Tax impacts to industry are also measured on the right axis of the Exhibit, on a scale of 1 to 5. The number 1 represents solutions that impose no new costs (least negative impact), and number 5 identifies solutions that impose new costs (high negative impact). Orange triangles represent the tax impact to industry scores for each solution.

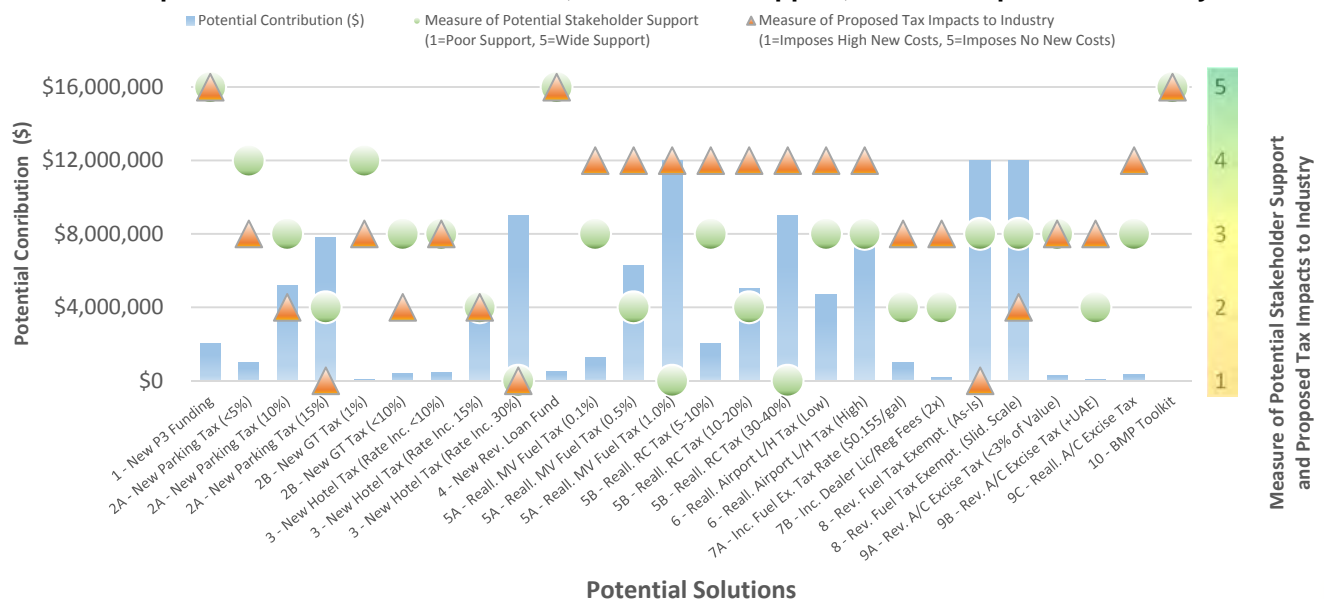
Solutions that are more readily able to be implemented are identified in the exhibit by looking for solutions that indicate fair to wide stakeholder support (score 3-5), and indicate no new costs to new low impact costs (score 3-5).

Key takeaways from Exhibit 1-5 include:

- Many of the most acceptable solutions are non-controversial in nature, such as P3 funding (Solution 1), new revolving loan fund (Solution 4), and Airport Management BMP toolkit (Solution 10).
- A number of the most accepted solutions demonstrate lower potential contributions towards the aviation system preservation and capital needs.
- Solutions that may be more readily able to move forward include:
  - 2A – New Parking Tax (<5%)
  - 2B – New Ground Transportation (GT) tax (1%)
  - 4 – New Revolving Loan Fund
  - 5A – Reallocating Motor Vehicle Fuel Taxes (1%)
  - 5B – Reallocating Rental Car Taxes (<10%)
  - 6 – Reallocating Airport Leasehold Taxes
  - 10 – Airport Management BMP Toolkit

## EXHIBIT 1-5

### Solution Comparison – Potential Contribution, Stakeholder Support, and Tax Impacts to Industry



## Benefits and Impacts to Industry

Part of the evaluation of the proposed solutions involves assessing the potential economic consequences that each solution would have on the aviation industry. To facilitate this assessment, six specific segments of the aviation industry were analyzed. Those six segments are:

- Aerospace Manufacturing
- Commercial Air Service Providers
- Aerial Agricultural Applicators
- Emergency Medical Air Transport
- Recreational Aviation
- General Aviation

### Impacts to Industry

Solutions were assessed based on the relative new cost they could impose on an industry.

These costs could be directly imposed on an industry, such as a new or increased tax on an aircraft, or they could be levied indirectly, such as a new hotel tax that could make it more costly for visitors, which could discourage airline travel.

Solutions that imposed the highest relative costs, and therefore had the greatest impacts, were scored with a 1, while solutions with the lowest relative costs were scored with a 3. Solutions whose new costs fell in between were scored with a 2. Solutions that did not impose a new cost, but funded the Aeronautics Account by shifting existing costs were scored with a 4. Solutions that imposed no new costs, and therefore had the lowest impacts, were scored with a 5. The results of the analysis are summarized in Exhibit 1-6.

**EXHIBIT 1-6**  
**Impacts to Industry**

Solution	Aerospace Manufacturing	Commercial Air Service Providers	Aerial Agricultural Applicators	Emergency Medical Air Transport	Recreational Aviation	General Aviation
1 - New P3 Funding	5	5	5	5	5	5
2A - New Parking Tax (<5%)	5	3	5	5	5	5
2A - New Parking Tax (10%)	5	2	5	5	5	5
2A - New Parking Tax (15%)	5	1	5	5	5	5
2B - New GT Tax (1%)	5	3	5	5	5	5
2B - New GT Tax (<10%)	5	2	5	5	5	5
3 - New Hotel Tax (Rate Inc. <10%)	5	3	5	5	3	3
3 - New Hotel Tax (Rate Inc. 15%)	5	2	5	5	2	2
3 - New Hotel Tax (Rate Inc. 30%)	5	1	5	5	1	1
4 - New Rev. Loan Fund	5	5	5	5	5	5
5A - Reall. MV Fuel Tax (0.1%)	4	4	5	5	4	4
5A - Reall. MV Fuel Tax (0.5%)	4	4	5	5	4	4
5A - Reall. MV Fuel Tax (1.0%)	4	4	5	5	4	4
5B - Reall. RC Tax (5-10%)	5	4	5	5	4	4
5B - Reall. RC Tax (10-20%)	5	4	5	5	4	4
5B - Reall. RC Tax (30-40%)	5	4	5	5	4	4
6 - Reall. Airport L/H Tax (Low)	4	4	5	4	4	4
6 - Reall. Airport L/H Tax (High)	4	4	5	4	4	4
7A - Inc. Fuel Ex. Tax Rate (\$0.155/gal)	5	5	5	5	1	1
7B - Inc. Dealer Lic/Reg Fees (2x)	3	5	5	5	3	3
8 - Rev. Fuel Tax Exempt. (As-Is)	1	1	1	1	5	5
8 - Rev. Fuel Tax Exempt. (Slid. Scale)	2	2	1	1	5	5
9A - Rev. A/C Excise Tax (<3% of Value)	5	5	1	1	1	1
9B - Rev. A/C Excise Tax (+UAE)	5	5	5	5	5	5
9C - Reall. A/C Excise Tax	5	5	4	4	4	4
10 - BMP Toolkit	5	5	5	5	5	5





The majority of solutions impose no new costs on the aviation industry. This is primarily because most of the solutions either do not involve taxes or fees, or involve shifting where existing taxes are deposited. **The solutions with the greatest impact on aviation industries are those that raise taxes that the industry already pays, namely the aircraft fuel excise tax and the aircraft excise tax.** The solutions that impose new taxes on visitors to Washington (solutions 2 and 3 that impose new airport parking, ground transportation and hotel taxes/fees) also have the potential to have a large impact on certain segments of the aviation industry, depending upon how steep those new taxes/fees are.

### Benefits to Industry

Solutions were assessed based on the relative benefits each made to the six industry segments from the funding of improved infrastructure at airports.

Each solution was categorized to one of three contribution levels based upon the amount it

was expected to contribute to the Aeronautics Account. Within each of these contribution levels, Aeronautics Account money available for capital projects was distributed to airports to fund specific projects. Each project was evaluated for its contribution to 17 different areas of aviation-related activities.

All of the funded projects were totaled to determine the overall contribution each aviation-related activity received at each of the three contribution levels. The 17 aviation-related activities were assessed for their connection to the six previously defined aviation industry segments, so that the relative benefits of each solution could be scored on a scale from 1 to 5 for each industry segment. A score of 1 indicates a solution providing negligible benefits to industry, and a score of 5 indicates a solution providing very significant benefits to industry.

Exhibit 1-7 summarizes the benefits of each solution across each industry segment.

**EXHIBIT 1-7**  
**Benefits to Industry**

Solution	Aerospace Manufacturing	Commercial Air Service Providers	Aerial Agricultural Applicators	Emergency Medical Air Transport	Recreational Aviation	General Aviation
1 - New P3 Funding	3	4	5	4	3	3
2A - New Parking Tax (<5%)	3	4	5	4	3	3
2A - New Parking Tax (10%)	3	4	5	4	3	3
2A - New Parking Tax (15%)	3	4	5	4	3	3
2B - New GT Tax (1%)	3	4	5	4	3	3
2B - New GT Tax (<10%)	3	4	5	4	3	3
3 - New Hotel Tax (Rate Inc. <10%)	3	4	5	4	3	3
3 - New Hotel Tax (Rate Inc. 15%)	3	4	5	4	3	3
3 - New Hotel Tax (Rate Inc. 30%)	4	4	5	4	4	4
4 - New Rev. Loan Fund	3	4	5	4	3	3
5A - Reall. MV Fuel Tax (0.1%)	3	4	5	4	3	3
5A - Reall. MV Fuel Tax (0.5%)	3	4	5	4	3	3
5A - Reall. MV Fuel Tax (1.0%)	4	4	5	4	4	4
5B - Reall. RC Tax (5-10%)	3	4	5	4	3	3
5B - Reall. RC Tax (10-20%)	3	4	5	4	3	3
5B - Reall. RC Tax (30-40%)	4	4	5	4	4	4
6 - Reall. Airport L/H Tax (Low)	3	4	5	4	3	3
6 - Reall. Airport L/H Tax (High)	4	4	5	4	4	4
7A - Inc. Fuel Ex. Tax Rate (\$0.155/gal)	3	4	5	4	3	3
7B - Inc. Dealer Lic/Reg Fees (2x)	3	4	5	4	3	3
8 - Rev. Fuel Tax Exempt. (As-Is)	4	4	5	4	4	4



Solution	Aerospace Manufacturing	Commercial Air Service Providers	Aerial Agricultural Applicators	Emergency Medical Air Transport	Recreational Aviation	General Aviation
8 - Rev. Fuel Tax Exempt. (Slid. Scale)	4	4	5	4	4	4
9A - Rev. A/C Excise Tax (<3% of Value)	3	4	5	4	3	3
9B - Rev. A/C Excise Tax (+UAE)	3	4	5	4	3	3
9C - Reall. A/C Excise Tax	3	4	5	4	3	3
10 - BMP Toolkit	3	4	5	4	3	3

The analysis shows that all of the solutions provide some degree of benefit. Those solutions that reallocate the largest amount of tax or impose the highest tax rates also tend to be the solutions that deliver the greatest benefits. Two notable exceptions to this general observation are solution 9A (Revising the Aircraft Excise Tax to 3% of Aircraft Value) and solution 7A (Increasing the Aircraft Fuel Excise Tax Rate to \$0.155 per gallon). Both of these solutions impose high costs on specific segments of the aviation industry, yet the benefits of these solutions are evaluated as being no better than many other solutions that do not impose steep costs.

### Benefits to Statewide Need

In order to understand the potential benefits of implementing potential solutions to the \$3.6 billion program statewide need, each of the three annual contribution levels identified (\$4, \$8, and \$12 million) were applied as the state's share to the 20-year *Total Project Needs List* to determine projects likely to be funded and projects unlikely to be funded.

Forecast assumptions for Federal and local share contributions to the statewide need remain as they were in the *Airport Investment Study*, status-quo scenario. Federal funds are forecast at \$2.1 billion for the 20-year plan.

Application of the forecast available short and long-term funding from FAA and the three Contribution Levels of state share to the total prioritized project needs list resulted in an assessment of projects that are 'likely to be funded' and projects that are 'unlikely to be funded' for FAA and/or WSDOT funding.

Solutions that are able to achieve Contribution Level 1 (up to \$4 million) are not able to provide significant improvement to the percentage of eligible projects funded over the baseline scenario. This is due, in part, to the assumption that larger airports could provide adequate local funding to match the balance of projects with federal funding, even if no state funding was available.

Exhibit 1-8 summarizes the benefit to the statewide need.

While the State's funding share responsibility has been determined to be \$12 million annually (from its current contribution of \$1.4 million annually) and is the near-term goal of the State to adopt solutions to achieve its \$12 million annual share, it is clear that the Federal and local agencies must also work to reach their responsible share. However, the reality of raising Federal and local funding levels significantly in the foreseeable future is unlikely and outside the State's control. The State recognizes it will likely need to extend beyond historical responsibility to compensate for these deficits to ensure the State's airports remain viable and sustained for the long term.

**As the State extends beyond the ability to contribute \$5 million annually, the current Airport Aid Program should be revisited such that all State funding can be utilized and necessary projects funded.** Program considerations should evaluate:

- Increasing current \$250,000 maximum grant aid per project (i.e., \$1 million or potentially no limit) for high priority projects at NPIAS airports.



- Increasing grant aid contribution percentage (i.e., 5% to 50%) for projects eligible for Federal funds but not receiving Federal funds due to funding deficits.

For example, the State could attempt to elect to alter its Airport Aid Program criteria (via legislation) to support high priority NPIAS projects at 50% of the project's value, but no more than \$1 million, once Federal and local funding runs out. This would continue to leverage available State funds at Contribution Level 3.

For these reasons, both the States of Texas and Florida, for example, have expanded their State aid programs to award larger grants per airport.

**Changes in the Airport Aid Program, as suggested previously, to offset deficits in Federal funding, will inherently raise the annual funding needs of the State beyond the level of \$12 million annually previously defined.** Based on the Federal funding deficits at larger airports (who are expected to be

capable of sharing project costs with the State), the State will need to consider funding levels at approximately \$30 million annually to support up to 50% of these unfunded NPIAS project costs (determined to be an additional \$18 million annually) . The State is not likely to raise its 95% share of Non-NPIAS airport projects since it cannot reasonably assume responsibility for 100% funding of a project. Introduction of the state revolving loan fund with a portion of state revenues would help airports to fund revenue generating projects that can ultimately help increase local match availability.

Funding of Non-NPIAS projects is heavily restricted upon reaching Contribution Level 2. Non-NPIAS airport sponsors will have to continue to leverage local revenue sources as able, including evaluating new solutions that may arise out of this study, such as implementing Management Best Practices which could enhance airports' abilities to provide matching funds.

#### EXHIBIT 1-8

#### Summary of Solution Benefit to Washington State Aviation Capital and Preservation Needs

	"Status Quo" (\$Millions)		Contribution Level 1 (\$0-4 million) (\$Millions)		Contribution Level 2 (\$4-8 million) (\$Millions)		Contribution Level 3 (\$8-12 million) (\$Millions)	
	20- YEAR TOTAL	AVERAGE ANNUAL TOTAL	20- YEAR TOTAL	AVERAGE ANNUAL TOTAL	20- YEAR TOTAL	AVERAGE ANNUAL TOTAL	20- YEAR TOTAL	AVERAGE ANNUAL TOTAL
PROGRAM NEED	\$3,557	\$178	\$3,557	\$178	\$3,557	\$178	\$3,557	\$178
LIKELY TO BE FUNDED	\$1,898	\$95	\$1,907	\$95	\$1,937	\$97	\$1,955	\$98
UNLIKELY TO BE FUNDED	\$1,659	\$83	\$1,651	\$83	\$1,621	\$81	\$1,602	\$80

### Economic Impacts

In order to understand potential economic impacts resulting from increasing state aviation funding the study compared Washington with states with different levels of aviation funding and examined average economic impacts of their respective airports. The average economic impacts of airports in five states (FL, LA, CO, WA and OH) with

varying levels of airport funding were examined.

Data was collected to ascertain average state funding per airport, average direct economic output per airport (a measure of the economic activity, generally equated to gross sales or total expenses) and the average direct number of jobs per airport.



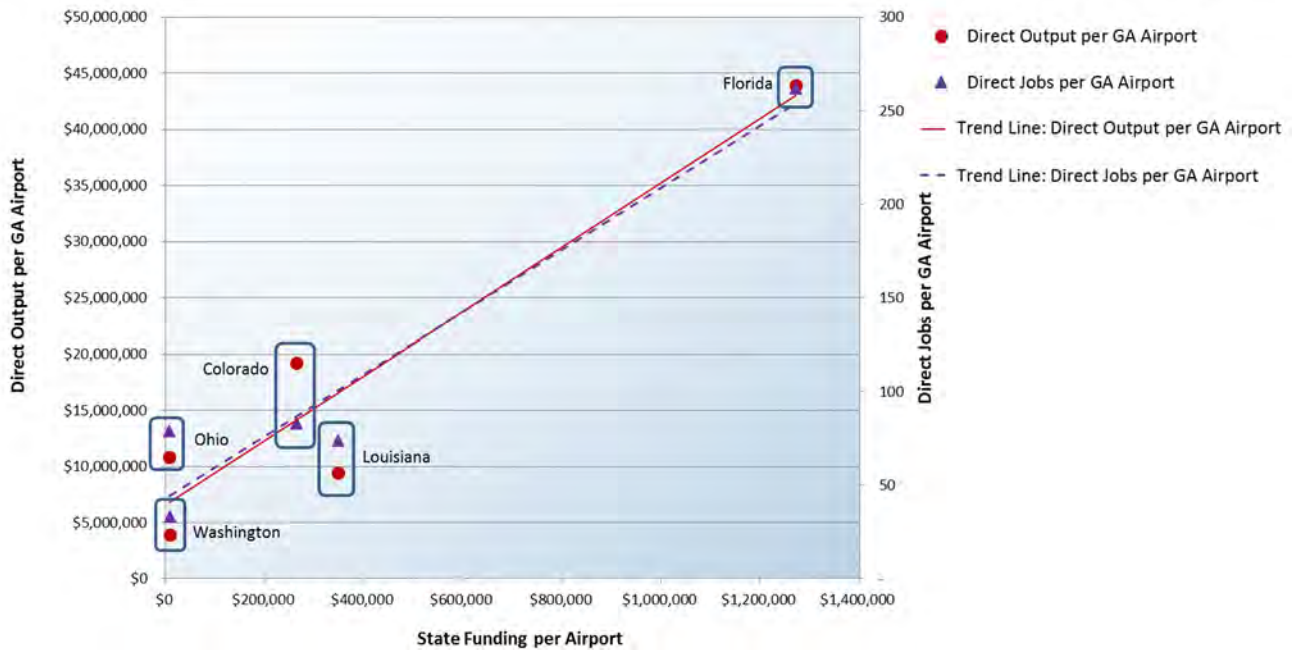
Exhibit 1-9 illustrates relationship between direct economic benefits found at general aviation airports and the average state funding per airport.

The respective average direct output per general aviation airport and average direct

jobs per general aviation airport are grouped by state in a blue box and labeled appropriately. From Exhibit 1-9, it can be clearly seen that the states trend upward from left to right on the plot, illustrating the positive correlation between state funding per airport and economic benefit.

#### EXHIBIT 1-9

#### Average Economic Impacts at GA Airports vs. Average State Funding per Airport

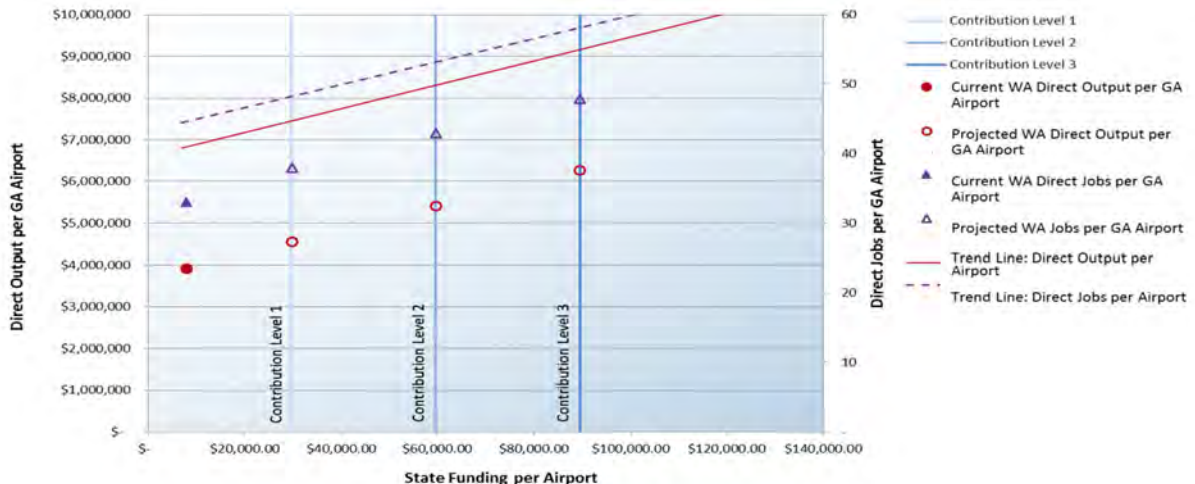


To illustrate what this could mean for Washington, projections of economic benefits were developed based upon potential future state funding levels. Three Contribution Levels were defined based on assumed state funding

for airports of \$4 million, \$8 million, and \$12 million. These funding levels were converted to a per-airport figure for Washington and are shown in Exhibit 1-10.

#### EXHIBIT 1-10

#### Projected Economic Impacts at Washington GA Airports at Three Contribution Levels





If WSDOT were to fund airports at these levels, and if the linear relationship between state funding and economic output were to hold, the direct output per general aviation airport in Washington could be expected to increase from its current level of approximately \$3.9 million, to between \$4.5 million (at Contribution Level 1) and \$6.3 million (at Contribution Level 3) per general aviation airport. That represents an increase of between 15 percent and 60 percent of current output. Likewise, the direct jobs per general aviation airport in Washington, which include people employed at the airport and jobs in the community supported by visitor expenditures, could be expected to increase from its current level of 33 jobs, to between 37 jobs (at Contribution Level 1) and 47 jobs (at Contribution Level 3) per general aviation airport. That represents an increase of between 12 percent and 42 percent of current jobs.



# Solution Summary

## 1 (1d). Public Private Partnerships (P3)

**Overview.** This new revenue source concept entails the full utilization of private sector funding for all types of revenue producing airport projects. This concept would include utilization and optimization of the full range of P3 funding sources which range from full airport privatization to partial, facility specific privatization.

This solution envisions the development of a P3 educational “guide book” for municipal and airport managers that will assist them with a full understanding of the laws, administrative process, and keys to success in utilizing private funding sources. The guide book requirement in this solution can be combined with the infrastructure exchange solution (Solution 1B) as an aide to the state airport managers.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>Full airport privatizations, although difficult to obtain, offer their owning government agency the possibility for obtaining a significant monetized gain that can be used for other public needs within the community</li> <li>Full airport privatizations are governed by the FAA through the airport privatization pilot program, (APPP)</li> <li>Partial privatizations, such as a standalone single terminal building are not subject to the regulatory oversight of the APPP process, and are a common tool for airport management to use in bringing new private funding sources to their airports</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>The solution should include the 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.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>Educating Washington State's airport managers, and municipal managers on P3 opportunities, requirements, and methods will facilitate more private funding to help supplement federal, state and local resources.</li> <li>The state would have a long term P3 funding tool that could address any funding gaps, and provide airports with ready access to funding for capacity enhancing and economic development related projects going forward.</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Near term - Contribution Level 1 (\$0 - \$4 million)
- Long term - Contribution Level 2 (\$4 - \$8 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two-year timeline.

### 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

### IMPLEMENTATION STRATEGIES

- Educate public sector and general public about how P3 investment can create jobs
- Guidebook should contain real examples of type of projects best suited for P3
- Public awareness campaign to educate the benefits of P3.

### SOLUTION VARIATIONS

- WSDOT may partner with airports to initiate P3 case studies
- Bundle P3 with other multi-modal transportation (non-airport) infrastructure needs in certain cities
- Include P3 educational component in airport management BMP guidebook (Solution 10)



# Solution Summary

## 2 (1g). Alternative Taxing of Airport Operationally Oriented Uses

**Overview.** This new revenue source concept would provide for a state law that would allow for airport operational activities to be taxed or levied a fee, with the proceeds going to the Aeronautics Account.

The potential listing of airport operational and consumption activity that could be a taxable source are: licensed motor vehicles based at an airport; non-aviation fueling consumption; taxi and commercial vehicle access; airport parking, etc.

For ease of implementation, operational activities that are currently assessed fees and local assessments are featured, such as: parking and ground transportation.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>There currently is no Washington state law that allows for airport operational activity to be taxed at the state level.</li> <li>Taxes exist on some of these operations but no revenues are captured for aviation capital and preservation needs at this time.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>The solution would provide for a nominal state tax on airport parking for commercial service airports. Revenues would be allocated directly to the Aeronautics Account.                             <ul style="list-style-type: none"> <li>Using SEA-TAC as an example: In 2013 SEA-TAC International Airport brought in \$52.2 Million from parking fees alone. A potential 1% tax on that would bring in an additional \$522,000 in aviation related funding. A 1% increase in the existing "Terminal Direct" Daily Parking (\$35/day), would only be a \$0.35 increase in daily parking cost.</li> </ul> </li> <li>The Solution could provide for a nominal state fee on commercial ground transportation access for all commercial service airports. This could include ground transportation services that are already assessed access charges, such as taxis, courtesy vehicles, shuttles, charters, etc.</li> <li>Using SEA-TAC as an example: 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.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>The proposed solution could generate substantial revenues for Washington State airport capital and preservation needs.                             <ul style="list-style-type: none"> <li>Using just SEA-TAC as an example: Application of 1% tax or fee on parking, and ground transportation could generate an estimated \$632,000 (\$552k in parking taxes + \$80k in Access Permits) annually (at a 1% tax rate) to the Washington State Aeronautics fund.</li> </ul> </li> <li>The intent is to apply these state taxes/fees to all commercial service airports, which would likely increase the estimated \$632,000 deposited into the Aeronautics Account.</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Wide range possible, depending on rates and fee levels established
- Contribution Level 1 (\$0 - \$4 million) to
- Contribution Level 3 (\$8 - \$12 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two- to five-year timeline.

### 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

### IMPLEMENTATION STRATEGIES

- Set initial tax rates low and phase in to required amount over time
- Public awareness campaign to educate the benefits of aviation system

### SOLUTION VARIATIONS

- Focus on parking or ground transportation, not both, initially
- Focus on FAR Part 139 commercial service airports
- Tie tax to a measure of inflation



# Solution Summary

## 3 (1j). Alternative Economic Development-Based Consumption Tax

**Overview.** This new revenue source concept would be tied to existing local and statewide visitor based tax funding. The concept would leverage a share of tourist taxes that is commensurate with the tourism access provided by the aviation system.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>Currently there are no direct funding streams to the Aeronautics Account derived from tourism-based taxes.</li> <li>The state currently allows cities and counties to levy a 2 percent hotel/motel bed tax on hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities for continuous periods of less than one month. The tax is credited against the state sales tax so it is not an additive tax. Hotel-motel tax receipts may be used for promotion of tourism or construction and operation of tourism-related facilities, as well as the operational expenses of special events to attract tourists. These funds are administered by the DOR and returned to the local communities.</li> <li>The State also allows for a Special Hotel/Motel tax of 2 to 3 percent that is used to fund debt service associated with the construction of tourist related activities/facilities (i.e. convention centers). These taxes are not credited against the state sales tax, so there is an additional burden for consumers. These funds are administered by DOR and returned to local communities.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>The proposed solution would enact a new state tax, similar to the existing special hotel/motel tax with the revenues earmarked for the state Aeronautics Account.</li> <li>The solution would only apply to communities that have commercial service airports that promote tourism</li> <li>The tax could validate the important role the aviation industry has in the overall state's tourism industry.</li> <li>The Department of Revenue would serve as the administrator of this tax.</li> <li>The solution is set up to re-allocate funding from a source that is directly impacted by aviation. Without aviation, this funding source would most likely decrease dramatically.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>This source program if broadly applied, could provide substantial new revenues to fund state airport capital and preservation needs.</li> <li>In 2009, over \$30 million was distributed to cities and counties that levy the Special Hotel/Motel tax. A 1-2 percent state tax rate of special hotel/motel tax revenues could net the Aeronautics Account approximately \$300-600k.</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Wide range possible, depending on rate levels established
  - Contribution Level 1 (\$0 - \$4 million) to
  - Contribution Level 3 (\$8 - \$12 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two-year timeline.

### 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

### IMPLEMENTATION STRATEGIES

- Public awareness campaign to educate the benefits of the aviation system to the tourism industry
- Define geographic areas benefitted by commercial air service for potential implementation

### SOLUTION VARIATIONS

- Tie tax to a measure of inflation





## Solution Summary

### 4 (1k). Establish a State-Sponsored Revolving Aviation Infrastructure Loan Fund (SRF)

**Overview.** State-seeded revolving loan funds (SRFs) are common in the water and wastewater sector, and have also been used by some states for transportation projects (e.g., Florida). By providing a pool of funds to initiate a loan fund, state funds provide greater leverage than providing direct appropriations to a single project or set of projects. These low-rate loan funds are usually applicable to either revenue funded, or sponsor (airport management) funded programs.

This revolving loan fund could be patterned after that of the State of Florida, which has been a successful, and continual operation for 14 years, with zero loan defaults thus far.

#### POTENTIAL ANNUAL CONTRIBUTION

- Near term - Contribution Level 1 (\$0 - \$4 million)

#### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two-year timeline.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>■ SRF structures have been developed in other states with reasonable success for developing transportation infrastructure.</li> <li>■ Revolving loan fund programs require initial seed money, and an administrative/policy structure in order to implement.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>■ The establishment of an SRF loan program in the State of Washington that would fund needed capital infrastructure for debt worthy projects at airports.</li> <li>■ The potential project types could include; multi-modal facilities; revenue producing facilities (air cargo, parking, etc.)</li> <li>■ The listing of potential project types could be expanded to include a larger set of potential multimodal transportation projects that might interface with airports.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>■ Having a revolving loan fund improves the capital development funding options for airports in Washington.</li> <li>■ An SRF if applied broadly to a full set of project types could help close the funding gap, and offer a net new funding source for the airports.</li> </ul>

#### 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

#### IMPLEMENTATION STRATEGIES

- Solicit feedback and support from aviation stakeholder groups
- Utilize existing staff to administer
- Conduct informational outreach to assess viability for aviation only or for broader transportation application
- Start with a pilot program with a selected airport

#### SOLUTION VARIATIONS

- Apply solution beyond aviation to other modes of transportation to garner broader support
- Keep program (and investment level) small initially and limit to aviation projects only



# Solution Summary

## 5 (2a). Realignment of Current Transportation Revenue Allocations

**Overview.** This solution refines the allocations of current Washington State transportation-generated revenues with a direct nexus to the state aviation system to better reflect a pro-rata share of tax revenues going back to aviation capital needs in proportion to the benefit provided by aviation and air commerce. This concept does not propose to impose higher rates or affect revenue sources, but envisions only modifications to the existing revenue allocations that may represent a more appropriate funding approach for aviation.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>■ A percentage of the motor vehicle fuel taxes generated in Washington State are currently allocated to the Aeronautics Account: <ul style="list-style-type: none"> <li>○ 0.028% of all statewide revenues from the motor vehicle fuel tax, based on an estimate of the percentage of motor vehicle fuels used in general aviation aircraft</li> <li>○ Equates to approximately \$258,000 in average annual revenue</li> </ul> </li> <li>■ Rental cars are taxed and fund a portion of the WSDOT Multi Modal Account. Revenues from rental cars are planned at \$53.8 million in the Biennial Budget FY 2013-15.</li> <li>■ Approximately 50 percent of all rental cars originate at airport properties nationally.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>■ 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. Aviation as a whole uses more motor vehicle fuels than the .028% of estimated GA aircraft use. Examples of additional fuel use include ground service equipment (tugs, belt loaders), ARFF (Aircraft Rescue and Fire Fighting) equipment and operations vehicles.</li> <li>■ 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. A study would be conducted as part of the solution to determine the portion of rental car activity generated at airport locations vs. off-site locations.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>■ This concept could represent a large step in providing a long term funding sources for aviation capital and preservation needs.</li> <li>■ For example, revising the current motor vehicle tax allocation to 0.1% from 0.028% has the potential to allocate an additional \$720,000 per year to aviation.</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Wide range possible, depending on motor vehicle tax and/or rental car tax allocated:
  - Contribution Level 1 (\$0 - \$4 million) to
  - Contribution Level 3 (\$8 - \$12 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two-to five-year timeline.

### 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

### IMPLEMENTATION STRATEGIES

- Educate the public on importance of aviation relative to the other modes
- Study use of motor vehicle fuels in aviation operations
- Study proportion of rental cars originating at airports in WA

### SOLUTION VARIATIONS

- Increase percentage of motor vehicle fuel tax allocation over time
- Reallocate on a source by source bases as external factors allow



# Solution Summary

## 6 (3b). Reallocate Airport Leasehold Tax to the Aeronautics Account

**Overview.** In this concept, airport leasehold tax revenues would be routed to the WSDOT Aeronautics Account to fund aviation preservation and capital projects, instead of being diverted into the General Fund. Primary advantages of this solution are:

- **May cover the funding gap.** Estimates of the magnitude of leasehold taxes generated on airports indicate there is a strong possibility that a significant portion, or even all, of the funding gap could be addressed with this solution.
- **Not a new tax or tax increase.** Leasehold taxes are currently paid to the General Fund, and this solution involves redirecting those taxes to a different account. Since this isn't a new tax or a tax increase (taxpayers won't pay any more than they are currently paying), there is no risk of a change in tax revenues because of a change in tax rates

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>■ Washington imposes a 12.84% tax (of rent paid) on private parties that rent public property, termed a leasehold excise tax.</li> <li>■ This tax is in lieu of a property tax, which is not paid on publicly owned property.</li> <li>■ Approximately 53 percent of these tax revenues go to the State General Fund and 47 percent are distributed locally.</li> <li>■ In 2013, leasehold excise taxes (from all state lands) generated \$27.4 million for the State and \$24.3 million for locally.</li> <li>■ The bulk of leasehold excise taxes come from warehouses and manufacturing plants constructed on port property, airline facilities at public airports, major businesses on the University of Washington's metropolitan tract in downtown Seattle, state grazing lands, DNR tidelands, national forest land leased for recreational cabins, and publicly developed industrial property.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>■ Leasehold excise taxes generated by leases on publicly owned airports would be reallocated from the General Fund to the Aeronautics Account.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>■ Annual tax revenues from this proposed 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.</li> <li>■ Based on an analysis of leasehold excise taxes reported by SEA (\$5.7 million) and GEG (\$0.4 million), it is estimated that the state airport system contributes at least \$8.9 million, and probably closer to \$15.9 million in leasehold excise taxes. The state's share of these estimates (53%) makes this a range of \$4.7 million to \$8.4 million.</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Wide range possible, depending on actual value of airport leasehold taxes allocated:
  - Contribution Level 2 (\$4 - \$8 million) to
  - Contribution Level 3 (\$8 - \$12 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two- to five-year timeline.

### 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

### IMPLEMENTATION STRATEGIES

- Identify supporting proponents and sponsors that can drive the legislative process
- Build a coalition of aviation and non-aviation organizations

### SOLUTION VARIATIONS

- Split revenues between aviation and other key funding issues
- Leverage only portion of revenues generated needed to fund the gap



# Solution Summary

## 7 (3a). Increase Select Aviation Tax Rates

**Overview.** This concept would entail an increase in the current taxation program that goes into the State Aeronautics Account. This solution would focus on taxes currently supporting aviation, and specifically on tax sources that would have a meaningful impact on the funding gap. With the exception of the aviation fuel excise tax, all tax revenues were deemed inconsequential in terms of addressing the funding gap. Therefore, this solution analyzes an increase in the aviation fuel excise tax rate. This solution would require state legislation in order to increase the excise tax rate on aviation fuels.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>Current funding to the Aeronautics Account comes from several sources, with total values expressed in a 10-year average: <ul style="list-style-type: none"> <li>Aircraft dealer license fees: \$75 per dealer per year (\$4,000 total)</li> <li>Aircraft registration fees: \$15 per year per aircraft (\$89,500 total)</li> <li>Federal USDOT revenue: currently approximately \$700,000 per year</li> <li>Aircraft excise taxes: 10% of total gathered; rates vary per type of commuter and non-commuter aircraft (10% sent to Aeronautics Account totals \$32,000)</li> <li>Aircraft fuel tax: \$0.11 per gallon sold (totals approximately \$2.5 million)</li> <li>Motor vehicle fuel tax: 0.028% of total statewide gas tax collections (\$258,000 total)</li> <li>Other revenue sources totaling nearly \$100,000</li> <li>Interest income totaling approximately \$50,000</li> </ul> </li> <li>The total collected from these sources gives the Aeronautics Account an average annual funding of approximately \$3.7 million, \$1.4 million of which is projected to fund aviation projects. This is far short of the \$12.1 million needed for the state share of total aviation funding.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>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 for a total state share of over \$4.7 million.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>Changes would result in over \$1 million in new revenue generated for the Aeronautics Account.</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Contribution Level 1 (\$0 - \$4 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two- to 5-year timeline.

### 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

### IMPLEMENTATION STRATEGIES

- Educate public on benefits derived from increase in aviation fuel tax
- Address taxes on avgas or jet fuel separately
- Spread the burden as uniformly as possible
- Exempt aviation fuel from state sales tax

### SOLUTION VARIATIONS

- Increase rates and fees on other revenue sources proportional to the increase in aviation excise tax rate
- Aircraft registration fees based on weight of aircraft
- Increase motor vehicle fuel tax rate





# Solution Summary

## 8 (3c). Revise Fuel Excise Tax Exemptions

**Overview.** This concept would raise fuel excise tax revenue by reviewing and optimizing existing exemptions. This concept would apply to all stakeholders, so that a more consistent aviation fuel excise tax base would be in place. Any net increase to tax revenues would go directly into the Aeronautics Account. Notable features of this solution include:

- **Identified by state legislature in 2011.** As part of a periodic review of tax exemptions, the legislature recommended reviewing and clarifying fuel excise tax exemptions in the publication *State of Washington Joint Legislative Audit & Review Committee 2011 Tax Preference Performance Reviews, Report 12-2*.
- **Fulfills public policy.** One goal of a tax is for the tax proceeds to be used to benefit those that pay the tax. Currently, some of the exempted entities benefit from the fuel excise taxes paid by the non-exempt entities. Modifying the exemptions would better align this tax with public policy.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>■ Washington imposes an \$0.11 per gallon excise tax on all aviation fuel sold in the state. The proceeds go to the Aeronautics Fund and are responsible for approximately 85 percent of WSDOT Aviation's funding.</li> <li>■ Exemptions apply to 96 percent of fuel transactions in WA in a typical year, resulting in most of the tax falling on GA users.</li> <li>■ Exemptions to this fuel excise tax apply to: <ul style="list-style-type: none"> <li>○ Fuel delivered directly to specified commercial operators.</li> <li>○ Fuel delivered into the bulk storage tank of a certified user.</li> <li>○ Fuel purchased by the US government.</li> <li>○ Emergency medical air transport entities.</li> <li>○ Agricultural use.</li> <li>○ Fuel used in aircraft for testing or experimental purposes.</li> <li>○ Crew training for air carriers purchasing aircraft.</li> <li>○ Fuel sold for export and exported from the state.</li> <li>○ Fuel sold to a licensed aircraft fuel distributor.</li> </ul> </li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>■ Fuel excise tax exemptions would be revised so that the \$0.11 per gallon fuel excise tax is applied as uniformly as possible.</li> <li>■ Some exemptions would be kept in place to avoid legal issues (Federal government exemptions).</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>■ Estimates of additional revenue brought into the Aeronautics Account from the revision of fuel excise tax exemptions range from \$8 million to nearly \$60 million.</li> <li>■ Other exemptions could be retained for a variety of reasons as outlined in 'Solution Variations'</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Contribution Level 3 (\$8 - \$12 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two- to five-year timeline.

### 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

\*An in-depth analysis of certain key challenges is provided in the study.

### IMPLEMENTATION STRATEGIES

- Consider constitutional issues surrounding many of the exemptions
- Consider original reasons for exemptions and if they still apply
- Form a support coalition

### SOLUTION VARIATIONS

- For profit medical air transport entities provide public service that may outweigh return for relatively small
- Keep exemptions for fuel sold for export
- Keep exemptions on fuel purchased for flight testing and crew training
- Apply excise tax rate for air carriers for fuel used in the state only (burn rate)
- Link taxes to a measure of inflation
- Apply sliding scale based on annual miles flown in WA (or number of landings) to incentivize operations in WA



# Solution Summary

## 9 (3d). Modify the State Aircraft Excise Tax Program

**Overview.** This optimization concept would revise the state excise tax program for aircraft by modifying the 1987 legislation that set up the current program. This improvement considers changing the Aeronautics Account revenue allocation from the current 10% to a total of 100%.

This solution could also expand the definition of aircraft in the legislation to include unmanned aircraft.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>Washington based aircraft are subject to either the property tax or the aircraft excise tax, depending on the type of aircraft.</li> <li>General aviation aircraft (all aircraft except those owned by the government or by commercial airlines) must pay the annual aircraft excise tax, but are exempt from the property tax.</li> <li>Aircraft excise tax is based on the type of aircraft, ranging from \$20 to \$125 per year.</li> <li>Aircraft excise taxes generate approximately \$330,000 annually.</li> <li>Ninety percent of the revenues from the aircraft excise tax (approximately \$300,000) are deposited into the state General Fund, and 10 percent (approximately \$30,000) are deposited into the Aeronautics Account.</li> <li>A state sales tax of 6.5 percent applies to all aircraft purchases made in Washington. The tax revenues are deposited in the state General Fund.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Aircraft excise taxes would be applied to unmanned aircraft.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>Shifting the portion of the aircraft excise tax that goes to the General Fund to the Aeronautics Account would increase Aeronautics Account funding by approximately \$300,000 annually.</li> <li>WSDOT Aviation would need to register and track unmanned aircraft in order to administer aircraft excise tax collections on unmanned aircraft.</li> </ul>

### POTENTIAL ANNUAL CONTRIBUTION

- Contribution Level 1 (\$0 - \$4 million)

### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two- to five-year timeline.

### 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

### IMPLEMENTATION STRATEGIES

- Focus initially on reallocating 100% of the aircraft excise tax to the aeronautics account
- Collaborate with key stakeholders to determine if adjustments to the tax are feasible

### SOLUTION VARIATIONS

- Impose aircraft excise tax based on fixed percent of aircraft value as opposed to flat tax
- Look at reallocating 6.5% state aircraft sales tax from the General Fund to the Aeronautics Account
- Tie the taxes to a measure of inflation



## Solution Summary

### 10 (4f). Develop a Best Management Practices (BMP) Guidebook / Toolkit for Airports

**Overview.** This concept entails a tool kit that would be developed primarily for the non-self-sufficient general aviation airports in the State. The toolkit would be offered to these airports as a means of helping them adopt the best practices that would better allow them to move toward self-sufficiency in their capital development programs. Instituting best management practices would allow the airports to work on the local side of the projected funding gap. A best practices toolkit could address and give valuable information on: Operating Expense savings techniques; revenue generation techniques; property management, economic development and job creation techniques; administrative and technological best practices, and an assessment of Washington airports with regard to national best management practices.

This guidebook/toolkit can be patterned after the ongoing airport sustainability toolkit being developed by the State of Colorado. This FAA funded project is being piloted at; Rifle, Fremont and Centennial airports. The toolkits being developed will help maintain long term viability/sustainability by helping them with their environmental, financial and community support needs going forward.

<b>CURRENT STATE</b>	<ul style="list-style-type: none"> <li>Currently, many airports are managed without access to best management practices. Many smaller airports struggle to come up with local match funding for needed capital development, and are subsidized by their local municipality.</li> <li>Airport management best practices when utilized, have proven very effective in improving the airport bottom line, reducing operating expenses, and allowing for more needed capital development funding capacity at the local level.</li> </ul>
<b>PROPOSED SOLUTION</b>	<ul style="list-style-type: none"> <li>Develop a BMP guidebook/toolkit.</li> <li>Distribute guidebook/toolkit information and conduct training for interested airports and municipal managers.</li> </ul>
<b>FUTURE STATE IF IMPLEMENTED</b>	<ul style="list-style-type: none"> <li>A best management practices 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.</li> <li>Airports that would take advantage of an opportunity to improve their business basis through best management practices could become less dependent on local subsidies. This would also help improve the overall capital funding situation in the State, by enabling airports to become more financially self-sufficient.</li> </ul>

#### POTENTIAL ANNUAL CONTRIBUTION

- Contribution Level 1 (\$0 - \$4 million)

#### IMPLEMENTATION TIMELINE

- Estimated to be implementable within a two-year timeline.

#### 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

#### IMPLEMENTATION STRATEGIES

- Reach out to all airports, including small to medium sized GA airports
- Work with airport management stakeholder groups to establish need and buy-in
- Highlight long-term sustainable value to the airports

#### SOLUTION VARIATIONS

- Include P3 educational component to the BMP guidebook / toolkit.

