

## Department of Aviation

	2019-21 Actual	2021-23 Legislatively Adopted	2021-23 Legislatively Approved *	2023-25 Current Service Level	2023-25 Governors Budget
General Fund	--	--	3,888,794	--	2,448,406
Other Funds	13,218,939	21,527,031	22,999,626	23,585,073	25,412,958
Federal Funds	7,796,670	9,488,319	12,181,465	4,164,895	20,720,214
<b>Total Funds</b>	<b>21,015,609</b>	<b>31,015,350</b>	<b>39,069,885</b>	<b>27,749,968</b>	<b>48,581,578</b>
Positions	16	13	16	16	16
FTE	15.59	12.59	14.60	15.59	15.59

\* Includes Emergency Board and administrative actions through December 2022.

### Program Description

The Department of Aviation (ODAV) manages and coordinates the state's general aviation system, including recreational, business, and emergency response flying. The Department advocates for economic growth, infrastructure improvement, and safe operation of aviation in Oregon. The Department manages a large-scale pavement preservation program for the state's 66 paved public use airports. In addition to statewide aviation transportation plan management and land use coordination, the Department owns, manages, and operates 28 public use airports. The seven-member State Aviation Board, appointed by the Governor, represents aviation interests from the public and private sectors. The Board provides policy direction to the Department.

Key responsibilities include:

- Develop and implement the Oregon Aviation Plan and related policies
- Provide technical assistance on airport planning and development
- Administer the federal general aviation entitlement grant and pavement maintenance program
- Register aircraft
- Conduct safety inspections on state-owned and other Oregon public airports
- Maintain 28 state-owned airports to federal and state safety standards

The Department of Aviation is supported entirely by Other and Federal Funds. Aviation and jet fuel taxes are the primary source of funding for agency operations. Other sources of revenue include aircraft registration fees, aircraft dealer license fees, hangar and site leases at state-owned airports, and other charges for services. The agency also receives Federal Funds from the Federal Aviation Administration (FAA) for aviation system planning and construction projects. The FAA grants cover 90% of project costs and require a 10% state match.

## CSL Summary and Issues

The current service level (CSL) budget includes standard inflationary adjustments. Overall, the CSL represents a \$9 million or 25% decrease from the 2021-23 legislatively approved budget. The \$9 million budget decrease is due to the removal of one-time General Fund appropriated in 2021-23 for the Cape Blanco State Airport runway rehabilitation (\$2.6 million), the Salem Municipal Airport upgrade (\$540,388), and the Illinois Valley Airport fueling system (\$750,000). Also, contributing to the decrease are adjustments to federally funded capital construction projects at Siletz Bay State Airport (\$3 million), Mulino State Airport (\$1 million), Independence State Airport (\$1 million), Chiloquin State Airport (\$1 million), and McDermitt State Airport (\$213,889)

## Policy Issues

### *Revenue Challenges*

The COVID-19 pandemic had a significant impact to aircraft fuel consumption and the associated tax revenues, which funds approximately half of the agency's budget. Fuel tax revenues decreased by 40% in 2020. Since then, revenues have improved year over year but are still falling short of pre-pandemic levels and are not projected to keep up with inflationary pressure. As of November 2022, aviation fuel tax revenue is at 89% of pre-pandemic levels and is not projected to fully recover in the next biennium.

The 2021 Oregon Legislative Assembly passed legislation to help stabilize the agency's revenue by making a 2% aviation fuels tax increase established in 2015 (HB 2434) permanent and approved the establishment of a tall structure fee (SB 38). While this has had a positive impact on the agency's operational revenues, the agency continues to struggle with revenue levels that allow for future investments. As a short-term strategy the agency will seek General Fund to make up the difference both in operations and capital improvements for the 16 of the 28 state owned airports that do not qualify for federal funding. The agency's long-term plan involves finding sustainable revenue sources to maintain the department and prevent the degradation of state-owned airport infrastructure.

## Other Significant Issues and Background

During the 2022 Legislative Session, ODAV received one-time General Fund of \$3.9 million for three specific airport projects. This was the first time the agency received General Fund for airport capital improvement projects. Previously, ODAV was able to leverage as much as \$317 million in FAA grant funding prior to the 2017-19 biennium. Since the passage of House Bill 2017 (2017), much of the funding has been redirected to other state mobility projects. Though Connect Oregon funding was available in 2021-23 for aviation projects, ODAV was not able to secure any funding to leverage FAA support for some of the smaller more remote state-owned airports, such as the Prospect and Oakridge airport runway replacement projects.

For the 2023-25 biennium, the agency can leverage \$1.3 million in aircraft registration fees with \$11.3 million in federal Infrastructure, Investment and Jobs Act (IIJA) funding for obstruction and runway repairs at Aurora, Chiloquin, Cottage Grove, and Lebanon state owned airports. This more than doubles the federal funding for state airport capital improvement projects compared to previous budgets.

Additionally, the governor's budget includes \$2.5 million General Fund for the Cape Blanco airport runway replacement and electrical system upgrades project. This project was funded in the 2022 Legislative Session through the Rural Infrastructure Package (HB 5202) but is not expected to be completed by the end of the 2021-23 biennium. Project completion is expected by the fall of 2023.

The governor's budget does not include a \$2.9 million request from the agency for General Fund to rebuild the 60-year-old Oakridge State Airport runway, where the demand for larger aircraft has increased due to the growing wildfire activity in the area.

#### Key Performance Measures

A copy of the Department of Aviation Annual Performance Progress Report can be found on the LFO website at [KPM - View Report \(oregonlegislature.gov\)](https://www.oregonlegislature.gov/KPM-View-Report)