Airlines for America®

We Connect the World

A4A Opposition to HB 2153

Airlines for America (A4A) is the trade association for the leading U.S. passenger and cargo airlines.[1] HB 2153 would double the tax on jet fuel within a year and then increase the rate every other year thereafter. This increase unfairly targets commercial aviation and may not comply with federal law regarding the use of jet fuel tax revenue.

Commercial service airports are funded by their users without the need for a jet fuel tax increase.

- The attached chart, based on airport financial reporting to the Federal Aviation Administration (FAA), demonstrates the "closed loop" system of airport finance whereby airlines, passengers, shippers, users and federal grants fund the capital and operating expenses of the state's commercial service airports.

- In 2023 (the last full year of publicly available data), total OR airport revenues exceeded $450 million.

- Airlines collect federal taxes from passengers and shippers to fund the FAA's Airport Improvement Program (AIP) which provides federal grants for airport infrastructure projects. The AIP program is purposely designed to ensure the majority of grants are distributed to airports with little or no commercial service, and this holds true in Oregon. In fiscal year 2023, commercial service airports received less than half the state's AIP grants of nearly $51 million, with Portland International Airport (PDX) receiving only 14 percent.

- Because commercial aviation already pays more than its fair share by funding not only the airports we serve, but also by subsidizing airports we do not use through the AIP program, we find it inequitable to propose any further increases in the aviation fuel tax.

- We understand there is a concern about funding for general aviation airports. A4A does not support a jet fuel tax increase on airlines to fund airports we do not use. However, if the legislature feels there is a public benefit from these airports, we suggest an alternative funding source be considered.

A massive tax increase is bad for business.

- The bill would increase the current tax rate on jet fuel from 3 cents per gallon (cpg) to 6 cpg beginning January 1, 2026, and then adjust it every other year based on increases in the Consumer Price Index (CPI). This is a massive increase with significant economic impacts.

- According to the FAA, the commercial aviation industry generates $12.7 billion in annual economic activity in Oregon, supporting $3.3 billion in payroll and over 92,000 jobs. Higher taxes, however, will undermine aviation's role as a catalyst in Oregon's economy. Fuel is one of the

[1] A4A's members are Alaska Airlines; American Airlines; Atlas Air; Delta Air Lines; FedEx; Hawaiian Airlines; JetBlue Airways; Southwest Airlines; United Airlines; and UPS. Air Canada is an associate member.

highest costs for airlines, and any increase in costs could be passed on to passengers or absorbed through cuts to service which often impact small and medium communities.

- The proposed increase will also make Oregon less competitive when compared to other states in terms of encouraging commercial air service and economic investment. Several large aviation hubs, such as Texas, Georgia and North Carolina do not tax jet fuel. Even states that are often characterized as "high-tax" states do not burden jet fuel with significant taxes. New York and New Jersey have a much lower effective tax rate – less than a penny per gallon.

- These cost and competitive issues would be further exacerbated by the automatic CPI adjustment. Airlines would face a double hit with costs and taxes almost guaranteed to increase. In addition, other states do not inflation-adjust their tax rates,[2] and the competitive gap between Oregon and other states would only widen.

Federal policy governs the use of aviation fuel taxes.

- Except for taxes that were in place on December 30, 1987, federal law requires that revenue raised from state taxes on aviation fuel must be used for the capital or operating costs of an airport, an airport system or facilities that are substantially related to the air transportation of passengers or property, and for state aviation programs or noise mitigation purposes.[3]

- The FAA actively monitors compliance with federal law and can impose sanctions on the state including withholding AIP grants, civil penalties and filing an application in a U.S. District Court for a compliance order.

- After Oregon spent several years working with the FAA to certify compliance with the law, we are concerned that some of the stated expenditures in HB 2153 may conflict with federal law.

[2] In states that apply a sales tax to fuel, the amount of tax will increase commensurate with prices. However, it will also decrease when the price of fuel drops. Such a scenario is not possible under this proposal; at best, Oregon's tax rate would not increase. Further, by using the overall CPI, numerous other factors unrelated to fuel or aviation generally are being considered to adjust the tax rate.

[3] 49 USC sections 47107(b) and 47133.

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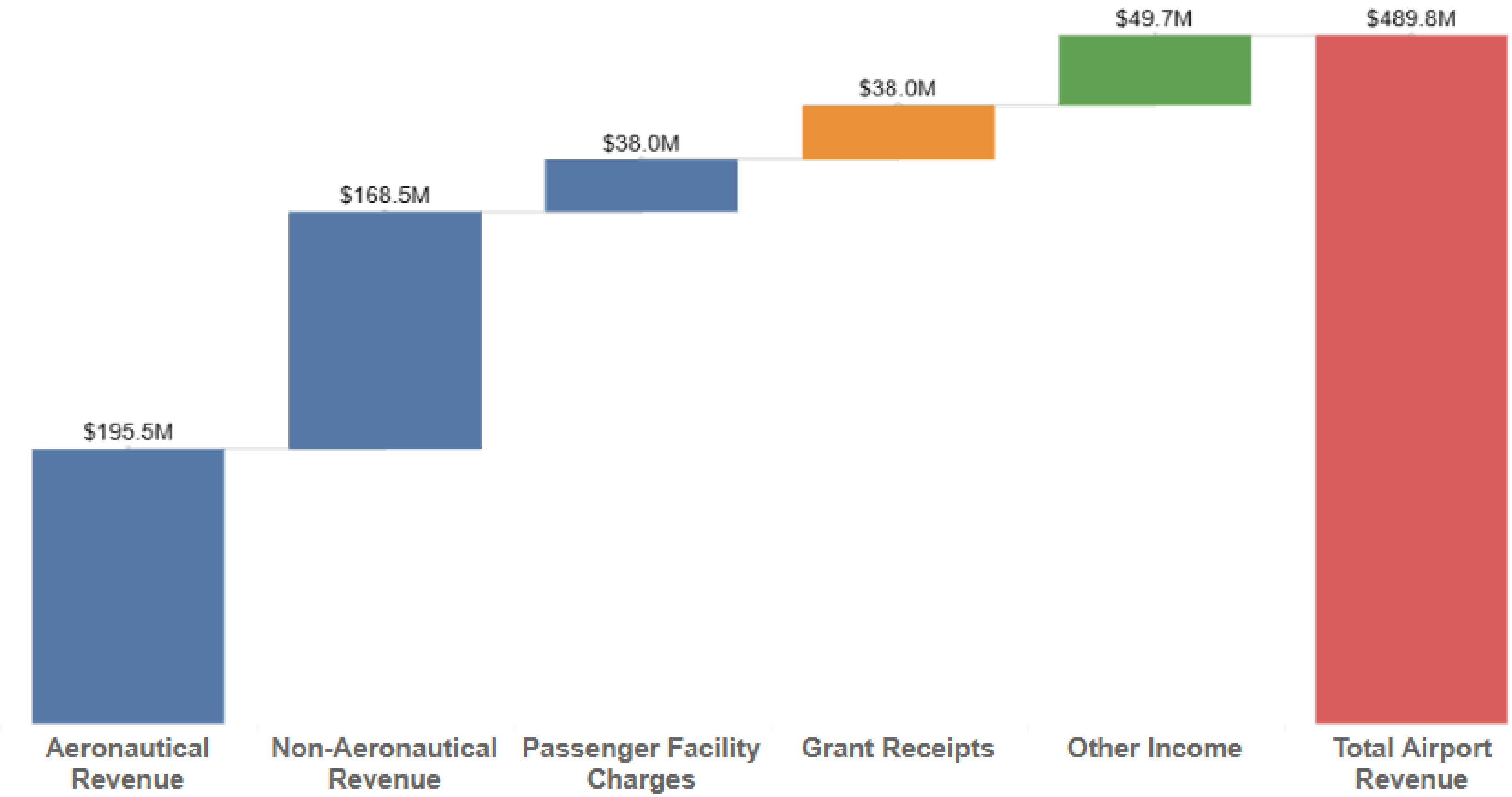
State: OR
Year: 2023

2023 Oregon Airport Revenues

Airlines, passenger and shippers pay for the vast majority of airport capital expenditures and operating expenses



Notes:
Aeronautical = revenue from rents (e.g., terminals, cargo, hangars) and landing fees paid by airlines, military and general aviation
Non-aeronautical = revenues parking, rental cars, food and beverage, retail and other services used by airline customers
Passenger Facility Charge (PFCs) are paid by airline customers
Grant receipts may be from federal, state or local sources

Source: FAA Operating and Financial Summary (Form 127)

2023 Revenues by Airport

Airport	3.0_Total Aeronautical Revenue	4.9_Total Non-Aeronautical Revenue	8.3_Grant receipts	8.4_Passenger Facility Charges	*Other Income	Total Airport Revenue
Grand Total	$195,499,259	$168,503,368	$38,027,176	$38,005,153	$49,746,072	$489,781,028
PDX	$174,893,980	$130,730,569	$11,983,857	$30,753,287	$31,202,453	$379,564,146
EUG	$7,074,199	$14,202,700	$5,534,132	$3,245,784	$4,077,148	$34,133,963
MFR	$6,827,084	$11,048,896	$6,120	$1,919,440	$8,995,525	$28,797,065
RDM	$4,842,233	$10,847,158	$5,175,886	$2,061,806	$1,089,115	$24,016,198
PDT	$1,483,854	$343,747	$8,967,485	$24,836	$3,906,487	$14,726,409
LMT	$377,909	$1,330,298	$6,359,696	$0	$475,344	$8,543,247
OTH	$0	$0	$0	$0	$0	$0

2023 Oregon Aeronautical Revenues By Line Item

1.1_Passenger airline landing fees	40,003,239
1.2_Terminal arrival fees - rents - utilities	116,785,485
1.3_Terminal area apron charges/tiedowns	892,544
1.4_Federal Inspection Fees	2,283,945
1.5_Other passenger aeronautical fees	3,201,340
1.6_Total Passenger Airline Aeronautical Revenue	163,164,444
2.1_Landing fees from cargo	9,982,278
2.2_Landing fees from GA and military	1,468,915
2.3_FBO revenue - contract or sponsor-operated	2,381,992
2.4_Cargo and hangar rentals	13,741,616
2.5_Aviation fuel tax retained for airport use	0
2.6_Fuel sales net profit/loss or fuel flowage fees	1,297,605
2.7_Security reimbursement from Federal Government	729,023
2.8_Other non-passenger aeronautical revenue	2,733,386
2.9_Total Non-Passenger Aeronautical Revenue	32,334,815
3.0_Total Aeronautical Revenue	195,499,259