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Acronyms and Abbreviations

BMP	Best Management Practice
DOR	Washington State Department of Revenue
P3	Public Private Partnership
SRF	State-Seeded Revolving Loan Fund
SWOT	Strengths, Weaknesses, Opportunities, Threats
WCX	West Coast Infrastructure Exchange
WSDOT	Washington State Department of Transportation



Solutions Analysis

Methodology

The study team reviewed the thirteen solution concepts (see inset) 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.**

The study team developed a work plan for each solution that outlined coordination and research elements that would be needed to further refine the solutions. Analysis of each solution included the following:

- Solution Refinement and Validation
- Current State, Proposed Solution, and Future State if Implemented
- Strength, Weakness, Opportunity and Threat (SWOT) Analysis
- Implementation Timeline
- Implementation Strategies
- Solution Variations

Each of these analysis components is described further as follows.

Solution Refinement and Validation

The study team conducted research and coordinated with key stakeholders to further vet each solution and identify potential challenges to implementation.

The study team reviewed and revised each solution’s previously developed overview, key components/steps, key obstacles/constraints, and results as needed to provide the current context for each solution.

Current State, Proposed Solution, and Future State if Implemented

The study team reviewed each solution to understand and document how things are working today (current state), what specific changes need to be made to enact the solution, and how things would work (future state) subsequent to implementation.

Solutions Recommended for Further Analysis (In order of Solution Reference Number)

- 1B. West Coast Infrastructure Exchange (WCX) Project Funding
- 1D. Public Private Partnerships (P3)
- 1G. Alternative Taxing of Airport Operationally Oriented Uses
- 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 (SRF)
- 2A. Realignment of Current Transportation Revenue Allocations
- 2B. Modify Current State Transportation Funds Allocations Across All Modes
- 3A. Increase Select Aviation Tax Rates
- 3B. Airport Leasehold Taxes Go Directly into the Aeronautics Account
- 3C. Revise Fuel Excise Tax Exemptions
- 3D. Modify the State Aircraft Excise Tax and Sales Tax Programs
- 4F. Develop a Best Management Practices (BMP) Guidebook/Toolkit for Airports

SWOT Analysis

The study team used a SWOT analysis to better evaluate each solution’s specific strengths and weaknesses. (The solutions’ strengths and weaknesses are viewed solely on the merits of the solution itself, and ignore external factors.)

Further, the analysis identifies threats and opportunities. Threats and opportunities are viewed external from the solution itself. In other

words, what outside factors may benefit or threaten the expected outcome of each solution.

Implementation Timeline

The study team identified key major steps for implementation of each solution and associated the steps with an overall timeline. An implementation timeline for each solution was assumed during the solution evaluation phase. Each solution has an implementation timeline of either short-term (0-2 years), medium-term (2-5 years), or long-term (5+ years). None of the solutions with an assumed long-term implementation of 5+ years was recommended for further analysis.

A number of the solutions require Washington State legislative action to change existing laws. The study has summarized the Washington State legislative process in Appendix 13.

Rather than establish expectations for an implementation timeline that is unpredictable and dependent on a host of factors, legislative actions are established for each solution as a medium-term (2-5 years) timeline. Solutions related to simple fee structure modifications, best practices, etc. were assumed to be implementable as a short-term (0-2 years) timeline.

Implementation Strategies

The study team reviewed the SWOT analyses and developed strategies for each solution that may help to achieve successful implementation. The strategies are focused both on mitigating potential solution weaknesses or threats, and capitalizing on potential solution opportunities and strengths. For example, a strategy may be provided to try to better align key stakeholder support.

Solution Variations

A number of the solutions are broad in scope. Further, for many solutions, there are a variety of ways to pursue implementation to achieve intended productive outcome. For each solution, and where feasible, the study team identified potential variations on how each solution may be achieved. For example, it may be more palatable to achieve a tax or fee increase over time via small incremental increases (perhaps tied to an economic index), rather than all at once.

Analysis Results

The solution analysis results for each of the thirteen solutions are provided in Appendix 14. Analysis summaries for each solution is provided as follows.

Analysis Summary

Solution 1B. West Coast Infrastructure Exchange (WCX) Project Funding

Overview. The West Coast Infrastructure Exchange (WCX) was launched in 2012 through a partnership of Washington, Oregon, California, and British Columbia to accelerate the deployment of private capital to help address the substantial backlog of infrastructure needs within the West Coast jurisdictions. As such, the backlog of capital needs at airports throughout Washington State could be a prime candidate for use of WCX as a resource to identify funding opportunities. The roles that WCX provides include:

- **Conduct an evaluation of projects.** This is accomplished through the establishment of a business practices committee. WCX is also set up to help vet and develop worthy projects through offering financial analysis and business case analysis.
- **Look for bundling opportunities.** WCX assists in looking for opportunities to bundle projects that would be more conducive to offering an adequate return to investors. Typically the exchange seeks to bundle like projects into \$150M dollar increments in an effort to attract investor interest.
- **Provide a conduit to investors.** Through outreach to the investment community and offering financial analysis, the WCX will help match potential investors to worthy projects.

Key Benefits
<ul style="list-style-type: none"> ■ New private funding source for revenue generating projects at airports ■ Efficient private sector project implementation and procurement ■ Neutral as far as stakeholder negative impacts ■ Expands an existing program
Key Challenges
<ul style="list-style-type: none"> ■ Lack of awareness of public private partnerships and understanding ■ Cost of funds for private debt may be higher than traditional bonding sources ■ Bundling projects may be required to attract investor interest ■ Full privatization involves significant State and Federal administrative and legal requirements

Current State	<ul style="list-style-type: none"> ■ The WCX was established in 2012 and is in place to provide private investment access to solid public infrastructure opportunities. ■ The exchange is currently set up to facilitate water/wastewater projects that meet the program criteria. ■ The exchange is available to be expanded to the public transportation sector, and particularly to aviation infrastructure development, given certain program requirements are met.
Proposed Solution	<ul style="list-style-type: none"> ■ Include a new provision within the existing WCX program to include transportation and specifically aviation infrastructure projects going forward. ■ WSDOT would need to provide some seed money that would allow for administrative needs within the WCX to accommodate aviation programs. ■ Potential investors would be paired with solid aviation infrastructure projects of a reasonable magnitude, and most likely bundled in order to reach the \$100-150 million dollar program cost.
Future State if Implemented	<ul style="list-style-type: none"> ■ This solution has the potential to effect and improve the long term funding potential for Washington airports. ■ The state would have a long term Public Private Partnership (P3) funding tool that could address funding gaps, and provide airports with ready access to funding for capacity enhancing and economic development related projects going forward.



Implementation Strategies

Strategy 1 The P3 guidebook will help to both educate public sector managers and potentially the general public as a means of mitigating the lack of understanding about how the interchange would work, and how additional private infrastructure investment will help to create jobs, rather than diminish job opportunities.

Strategy 2 In addition to the guidebook, a public awareness strategy would help raise the benefits of the WCX program in the public realm.

Strategy 3 The need for large scale bundled projects of a large magnitude can be mitigated by making the exchange available to other transportation infrastructure projects through a cross bundling of roadway, bridge, airports and transit projects.

Strategy 4 In order to cut down on the new administrative and legal burden that the exchange would present, WSDOT might consider the cross utilization of existing staff at inception, and then potentially bringing on the necessary P3 staff, only after the exchange is up and running in a mature state.

Solution Variations

Variation 1 Rather than making the exchange financing option only available to aviation projects, WSDOT might consider a multi-mode bundling application that could go beyond just aviation to benefit several or all modes of transportation within the state Washington.

Implementation Timeline: Solution 1B is estimated to be implementable within a two-year timeline from initiating the work.

Analysis Summary

Solution 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.

Key Benefits
<ul style="list-style-type: none"> ■ New private funding source for airports. ■ Efficient private sector project implementation and procurement. ■ Neutral as far as stakeholder negative impacts.
Key Challenges
<ul style="list-style-type: none"> ■ 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

Current State	<ul style="list-style-type: none"> ■ 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 ■ Full airport privatizations are governed by the FAA through the airport privatization pilot program, (APPP) ■ 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 ■ Many airport managers are not fully aware of the full range of private funding sources that might be available to resolve some of their capital development needs
Proposed Solution	<ul style="list-style-type: none"> ■ The solution anticipates the utilization and optimization of the full range of P3 funding sources and opportunities. ■ The solution should include the development of an educational program for public works officials 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.
Future State if Implemented	<ul style="list-style-type: none"> ■ Educating Washington State’s airport managers and public works officials on P3 opportunities, requirements, and methods will facilitate more private funding to help supplement federal, state and local resources. ■ 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.



Implementation Strategies

Strategy 1 The P3 guidebook will help to both educate public sector managers and potentially the general public as a means of mitigating the lack of understanding about how the interchange would work, and how additional private infrastructure investment will help to create jobs, rather than diminish job opportunities.

Strategy 2 The P3 guidebook should contain strong examples of the types of projects that may be best suited for P3 investments, and provide examples of successful P3 partial and full privatization projects with the resulting benefits and lessons learned.

Strategy 3 In addition to the guidebook, a public awareness strategy would help raise the benefits of the P3 program in the public realm.

Solution Variations

Variation 1 As a follow-up to the guidebook and public awareness campaigns, WSDOT may consider partnering with airports that have the strongest project opportunities to provide support and implement projects as case studies.

Variation 2 The P3 educational solution can be combined with the West Coast Infrastructure Exchange solution (Solution 1b) to provide a very robust private development option to the airport owners in the State of Washington

Variation 3 Aviation P3 infrastructure programs could be bundled with other transportation and multi-modal infrastructure needs in certain cities to provide an increased level of funding benefit as well as an overall wider range transportation benefit to the local community.

Variation 4 Include P3 educational component in the airport best management practices guidebook (Solution 4a) as a point of reference, education and information for Washington State airport managers.

Implementation Timeline: Solution 1D is estimated to be implementable within a two-year timeline from initiating the work.

Analysis Summary

Solution 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.

Key Benefits
<ul style="list-style-type: none"> ■ New aviation-generated funding source for airports. ■ Diversification of Aeronautics Account revenue stream ■ Helps aviation system to be self-sustaining
Key Challenges
<ul style="list-style-type: none"> ■ 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

Current State	<ul style="list-style-type: none"> ■ There currently is no Washington state law that allows for airport operational activity to be taxed with proceeds going to the Aeronautics Account. ■ Taxes exist on some of these operations but no revenues are captured for aviation capital and preservation needs at this time.
Proposed Solution	<ul style="list-style-type: none"> ■ The solution would provide for a nominal state tax on airport parking for all commercial service airports. Revenues would be allocated directly to the Aeronautics Account via the Department of Revenue. <ul style="list-style-type: none"> ○ 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. ■ 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. <ul style="list-style-type: none"> ○ 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.
Future State if Implemented	<ul style="list-style-type: none"> ■ The proposed solution has the potential to generate substantial revenues for Washington State airport capital and preservation needs. <ul style="list-style-type: none"> ○ 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. ■ 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.



Implementation Strategies

Strategy 1 Keep the initial tax rate very low. This will still bring in additional funding but will ease the impact to the end user. As with the previous strategy, the tax increase could be increased over time in a phased approach.

Strategy 2 Initially focus on educating the public on the importance of the Washington State aviation system and its far-reaching benefits. The aviation system in the state of Washington accounted for \$50.9 billion in total economic activity in 2012. Informing the public on the need of aviation in the state will help to ease the pushback of the increase in taxes.

Solution Variations

Variation 1 The solution could focus only on one part of the solution rather than both parking and ground transportation operations. For instance the solution could focus on the airport parking fee tax. This solution has the potential to make the largest impact in decreasing the funding gap.

Variation 2 The solution could focus on Federal Aviation Regulation (FAR) Part 139 and only be implemented at Airports with Scheduled service. Not only would this be more lucrative than taxing the smaller airports, but it would place the tax burden on the larger companies rather than the smaller private companies.

Variation 3 For any tax implementation, consider tying the tax to a measure of inflation, so that it could be increased at periodic intervals and not be eroded over time by inflation. Such measures could include changes in the construction price index, the gross domestic product, or similar measures. Inflation adjustments to the tax could be made annually or less periodically, such as every three or five years.

Implementation Timeline: Solution 1G is estimated to be implementable within a two- to five-year timeline from initiating the work.

Analysis Summary

Solution 1I. Alternative Taxing of the Proportional Value of Transportation Benefits Derived

Overview. This new revenue source concept would derive a pro-rata share of tax from major business industries or sectors for which the aviation system provides direct benefits to include cargo and passenger transport.

The tax may be applied to the largest industries/business sectors that leverage the aviation system in Washington State. Key industries or sectors may include aerospace, medical, pharmaceutical, information technologies, and energy.

This type of taxing source would use an economic valuation to fix a benefit derived for those aviation users at all of the public use airports in the State.

Key Benefits
<ul style="list-style-type: none"> ■ New user-based funding source for airports. ■ Strong correlation between tax and benefits being derived ■ Easily administered as "head tax" on business travel or cargo tax
Key Challenges
<ul style="list-style-type: none"> ■ Requires common metric to determine benefit derived across sectors ■ Additional tax burden on select market sectors and businesses may be perceived as unfair or "anti-business" ■ May be politically challenging to support

Current State	<ul style="list-style-type: none"> ■ There currently is no Washington state law that allows for specific industries to be taxed for aviation-based transportation benefits derived.
Proposed Solution	<ul style="list-style-type: none"> ■ The solution would require a common metric to be applied to businesses that would be the basis for the tax. ■ The Department of Revenue would administer the tax that could be applied as an additional head-tax for business-related travel, and/or an additional state tax on aviation based cargo. ■ The tax may or may not be specific to each industry/sector and would focus on passenger movement and/or cargo shipments. ■ The solution would not be applied to businesses located on airport properties. ■ This solution would place a tax based on the commercial benefits derived from utilization of the aviation system on major business industries or sectors, such as aerospace, medical, pharmaceutical, information technologies, and energy.
Future State if Implemented	<ul style="list-style-type: none"> ■ This new revenue source concept has the potential to significantly address a portion of the \$12 million annual aviation funding gap in that it could be very broadly based, and be applicable to a wide range of user/stakeholders. ■ This revenue source would leverage funds from the users that derive the greatest benefit from the aviation system, and apply the funds back to the system preservation and capital needs.



Implementation Strategies

Strategy 1 Prepare materials that will help to educate legislators, public sector managers and the general public on the importance of the aviation system to the state's economy and businesses. The presentation material would highlight the benefits to the business industry, the overall needs of the airports, and the current shortfall in funding for the Aeronautics Account.

Strategy 2 Identify the key business sectors that leverage the state aviation system to the greatest extent. For example the most passenger tickets, or the greatest amount of cargo shipments, etc.

Solution Variations

Variation 1 The solution could be applied to all businesses that utilize aviation services so as not to appear to be targeting specific industries. This could also broaden the tax base which could lessen the overall tax burden on certain industries.

Variation 2 For any tax implementation, consider tying the tax to a measure of inflation, so that it could be increased at periodic intervals and not be eroded over time by inflation. Such measures could include changes in the construction price index, the gross domestic product, or similar measures. Inflation adjustments to the tax could be made annually or less periodically, such as every three or five years.

Implementation Timeline: Solution 1I is estimated to be implementable within a two- to five-year timeline from initiating the work.

Analysis Summary

Solution 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.

Key Benefits
<ul style="list-style-type: none"> ■ Leverages existing tax base already in place ■ Correlation between tax and benefits being derived
Key Challenges
<ul style="list-style-type: none"> ■ Could be viewed as an anti-tourism tax ■ Metric would need to be developed to provide strong link for aviation system benefit to tourism

Current State	<ul style="list-style-type: none"> ■ Currently there are no direct funding streams to the Aeronautics Account derived from tourism-based taxes. ■ 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. ■ 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.
Proposed Solution	<ul style="list-style-type: none"> ■ 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. ■ The solution would only apply to communities that have commercial service airports that promote tourism ■ The tax could validate the important role the aviation industry has in the overall state's tourism industry. ■ The Department of Revenue would serve as the administrator of this tax. ■ 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.
Future State if Implemented	<ul style="list-style-type: none"> ■ This source program if broadly applied, could provide substantial new revenues to fund state airport capital and preservation needs. <ul style="list-style-type: none"> ○ 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.



Implementation Strategies

Strategy 1 Prepare materials that will help to educate legislators, public sector managers and the general public on the importance of the aviation system to the state's tourism industry. Correlate the value of benefit from the system with respect to enabling significant tourism. Demonstrate how taxing tourism will ultimately create economic growth and jobs in the industry. The presentation material would highlight the benefits of the industry to tourism, the overall needs of the airports, and the current shortfall in funding for the Aeronautics Account.

Strategy 2 Clearly define the geographic areas (i.e. areas served by primary commercial service) that will be impacted by the tax. The tax should be applied to a wide enough geographic area so as not to give the impression that one jurisdiction is being targeted.

Solution Variations

Variation 1 For any tax implementation, consider tying the tax to a measure of inflation, so that it could be increased at periodic intervals and not be eroded over time by inflation. Such measures could include changes in the construction price index, the gross domestic product, or similar measures. Inflation adjustments to the tax could be made annually or less periodically, such as every three or five years.

Implementation Timeline: Solution 1J is estimated to be implementable within a two- to five-year timeline from initiating the work.

Analysis Summary

Solution 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.

Key Benefits
<ul style="list-style-type: none"> ■ 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
<ul style="list-style-type: none"> ■ Upfront seed money is required ■ Limited to projects that produce revenues or cut costs to pay back the loans

Current State	<ul style="list-style-type: none"> ■ SRF structures have been developed in other states with reasonable success for developing transportation infrastructure. ■ Revolving loan fund programs require initial seed money, and an administrative/policy structure in order to implement.
Proposed Solution	<ul style="list-style-type: none"> ■ The establishment of an SRF loan program in the State of Washington that would fund needed capital infrastructure for debt worthy projects at airports. ■ The potential project types could include; multi-modal facilities; revenue producing facilities (air cargo, parking, etc.) ■ The listing of potential project types could be expanded to include a larger set of potential multimodal transportation projects that might interface with airports.
Future State if Implemented	<ul style="list-style-type: none"> ■ Having a revolving loan fund improves the capital development funding options for airports in Washington. ■ 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.



Implementation Strategies

Strategy 1 Work through the various aviation trade groups to gain feedback, direction and support for the SRF program, prior to initiation.

Strategy 2 Work out an administrative support program that would utilize existing staff skills until the program becomes more mature.

Strategy 3 Conduct a proactive informational outreach on the program prior to initiation. Make assessments on the viability of the program for aviation only, or across the transportation modes.

Strategy 4 Initiate a “proof of concept” pilot program in partnership with a selected airport.

Solution Variations

Variation 1 Apply the solution beyond state aviation to all modes of transportation. This has a potential benefit of providing a larger impact to the state transportation system (and garnering broader support), while continuing to be a significant new source to aviation.

Variation 2 Apply this solution in a scaled down version for aviation and aviation multimodal projects only, which will lower seed money requirements, and provide a direct benefit to aviation funding gap needs.

Implementation Timeline: Solution 1K is estimated to be implementable within a two-year timeline from initiating the work.

Analysis Summary

Solution 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.

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

Current State	<ul style="list-style-type: none"> ■ 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"> ○ 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 ○ Equates to approximately \$258,000 in average annual revenue ■ 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. (Source: Transportation Revenue Forecast Council, June 2014 Transportation Economic and Revenue Forecasts). ■ Approximately 50 percent of all rental cars originate at airport properties nationally¹.
Proposed Solution	<ul style="list-style-type: none"> ■ 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, and passenger busses that transfer passengers from terminal to terminal. ■ 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 amount of rental car activity generated at airport locations vs. off-site locations.

¹ What a \$24 billion car rental market means to the U.S. travel economy, Samantha Shankman, Skift.com, May 8, 2013



Future State if Implemented

- This concept could represent a very large step in providing a long term sustainable funding sources for aviation capital and preservation needs.
 - 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.

Implementation Strategies

Strategy 1 Educate the public on the relative importance of the aviation system to the other transportation modes. The aviation industry in the state of Washington accounted for \$50.9 billion in total economic activity in 2012. Informing the public on the need of aviation in the state will help to ease the pushback of re-allocating funding within the Motor Vehicle Tax Fund and the Multi-modal account.

Strategy 2 Discussions to support future increases in the Motor Vehicle Tax Fund should involve aviation and the use of motor vehicle fuels, as well as the relative importance of the aviation system to the other transportation modes and systems.

Strategy 3 Conduct a study to estimate the number of rental cars originating at airport locations in the State of Washington. This would help determine the appropriate share of Rental Car Tax revenues to allocate to the Aeronautics Fund.

Strategy 4 As part of this solution, a study would be performed to estimate the ground based fuel consumption at Primary Commercial Service Airports. This study would determine a more appropriate share of the current Motor Vehicle Fuel Tax being deposited in the Aeronautics fund, as well as give stakeholders a more accurate estimate of the possible revenues the Solution would generate.

Solution Variations

Variation 1 Increases in the portion of the Motor Vehicle Fuel Tax directed towards the Aeronautics Account could be phased in incrementally over time, and capped at an agreed-upon commensurate rate.

Variation 2 Pursuing reallocations from these revenue sources could be approached on a source-by-source basis as political climate and other factors allow.

Implementation Timeline: Solution 2A is estimated to be implementable within a two- to five-year timeline from initiating the work.

Analysis Summary

Solution 2B. Modify Current State Transportation Funds Allocations Across All Modes

Overview. In this solution, allocations from all of the state aviation and transportation funding resources are evaluated and revised to better account for the proportional value of aviation as a transportation system mode within the state of Washington. All current State Transportation Fund accounts would be evaluated to prioritize statewide investment in each of the transportation modes, based on relative benefits back to the state and citizens, and other key statewide strategies.

Key Benefits

- Reviews all state transportation modes and identifies and prioritizes needs
- Aviation system may benefit from being included in overall transportation prioritization discussions
- Could simplify revenue streams into Aeronautics Account by eliminating some sources

Key Challenges

- Additional study required to evaluate all transportation modes and identify relative prioritizations
- Reallocating funds simply draws money away from other state transportation needs

Current State

- The Aeronautics Account is nearly wholly funded by aviation-generated revenue sources.
- The largest revenue source for the Aeronautics Account is aviation fuel taxes. In the past 10 years (2004-2013), aviation fuel taxes have accounted for an average of 82 percent of the state generated revenues in to the Account. The Department of Licensing collects the aircraft fuel tax, which is deposited in the Aeronautics Account.
- A portion of motor vehicle fuel taxes collected by the Transportation Fund are re-distributed to the Aeronautics Account. This provision compensated for unclaimed gasoline used in aircraft that did not pay the aviation fuel tax. The percentage distributed from the motor vehicle fuel taxes is 0.028% and has not changed since its inception in 1987 (RCW 82.36.415).
- Funding sources for aeronautics investment vary by state. The Airport Investment Study reviewed eight states in comparison to Washington State.
 - Of the states reviewed, revenues from tax contributions ranged from a low of \$50,000 in Wyoming to a high of \$47 million in Tennessee. The average revenue for the nine states is approximately \$19 million. Washington's Aeronautics Account had revenues of \$3.6 million in 2013.
 - Of the states surveyed, the largest sources of revenues for aviation funds are Aviation Fuel Taxes and Motor Vehicle Fuel Tax
- Washington State currently subsidizes some modes of transportation (i.e. Ferries, rail) while not subsidizing others.



<p>Proposed Solution</p>	<ul style="list-style-type: none"> ■ This solution would initiate a study to ascertain the funding sources for Washington State transportation, and how they are currently distributed across the modes. The study would identify apples-to-apples comparisons of the benefit of each of these modes to the state, and consider strategic priorities to help decision makers derive an allocation policy and formulae to consider and benefit all of the modes.
<p>Future State if Implemented</p>	<ul style="list-style-type: none"> ■ The solution could modify the structure of the Transportation Fund and look at all transportation modes with a more holistic approach. It would aim to align the overall benefits of the different modes with available revenues. ■ The solution could completely revisit and simplify revenue sources into the Transportation Fund to be allocated to all modes.

Implementation Strategies

Strategy 1 Focus initial study on ascertaining the funding sources for Washington State transportation, and how they are currently distributed across the modes. The study would identify apples-to-apples comparisons of the benefit of each of these modes to the state, and consider strategic priorities to help decision makers derive an allocation policy and formulae to consider and benefit all of the modes.

Strategy 2 Initial study may also consider all transportation related revenues into the Transportation Fund to determine if aviation has a role in generating those revenues. If aviation has a role in generating the revenue, the Aeronautics Account should receive a portion of the revenues.

Strategy 3 Stakeholders from across the transportation modes would need to be included in the study to validate the approach and provide input.

Strategy 4 This discussion may best be considered when there is a strong state interest in revisiting the primary revenues in to the Transportation Fund. For example, if the state is looking at alternatives to the motor vehicle fuel tax, it may be beneficial to look at revenue streams and allocations holistically at this time.

Solution Variations

Variation 1 The solution could focus on reallocating revenues into the Transportation Fund for which aviation has a direct role in generating (as per Solution 2A), such as:

- Rental car revenues currently deposited into the WSDOT Multi Modal Account. Reallocation could be based, in part, on the percentage of car rentals that originate from airports.
- Motor vehicle fuel taxes currently allocated to the Aeronautics Account may be adjusted to more accurately reflect the use of motor vehicle fuels in both aircraft and airfield operations.

Implementation Timeline: Solution 2B is estimated to be implementable within a two- to five-year timeline from initiating the work.

Analysis Summary

Solution 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.

Key Benefits
<ul style="list-style-type: none"> ■ 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
<ul style="list-style-type: none"> ■ Places increased burden on largest aviation revenue source ■ Could result in weaker demand for fuel purchased in state, resulting in less than anticipated revenues

Current State	<ul style="list-style-type: none"> ■ 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"> ○ Aircraft dealer license fees: \$75 per dealer per year (\$4,000 total) ○ Aircraft registration fees: \$15 per year per aircraft (\$89,500 total) ○ Federal USDOT revenue: currently approximately \$700,000 per year ○ 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) ○ Aircraft fuel tax: \$0.11 per gallon sold (totals approximately \$2.5 million) ○ Motor vehicle fuel tax: 0.028% of total statewide gas tax collections (\$258,000 total) ○ Other revenue sources totaling nearly \$100,000 ○ Interest income totaling approximately \$50,000 ■ 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 million² needed for the state share of total aviation funding.
Proposed Solution	<ul style="list-style-type: none"> ■ 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.
Future State if Implemented	<ul style="list-style-type: none"> ■ Changes would result in over \$1 million in new revenue generated for the Aeronautics Account.

² Washington Airport Investment Study, Consequences of Perpetuating Current Funding, Exhibit 5-32, p. 31.



Implementation Strategies

Strategy 1 Since taxes on aviation fuel in Washington are already quite high compared to other states, supporters of this solution will need to focus on the benefits that users will derive from their increased taxes.

Strategy 2 Many states impose different tax rates on jet fuel and avgas. One possible variation is increasing the aviation fuel excise tax only on jet fuel and leaving the rate on avgas at \$0.11 since users of piston aircraft are likely to be more price sensitive than operators of turbine aircraft. Increasing the fuel excise tax rate on jet fuel will generate the most revenue since it comprises the majority of aviation fuel sales.

Strategy 3 If bill sponsors and supporters elect to increase other aviation taxes or fees (see Variation 1 below), it would be beneficial to focus on the idea that the burden of additional funding is being spread as widely as possible.

Strategy 4 To lessen political opposition to an increase in the aviation fuel excise tax, bill sponsors and supporters could consider trying to exempt aviation fuel from the state sales tax. More than half the U.S. states do not impose sales tax on aviation fuel (31 have no sales tax on jet fuel and 34 have no sales tax on avgas).³

Solution Variations

Variation 1 Bill sponsors and supporters may want to consider increasing the tax rates and fees on other revenue sources by an amount proportional to the proposed increase in the aviation fuel excise tax rate. While the revenue contributions from these sources will be inconsequential in terms of addressing the funding gap, increases in dealer license fees, aircraft registration fees, and aircraft excise taxes would help diversify WSDOT Aviation's funding sources and show that the impact of tax increases was being spread among a larger group of aviation users.

Variation 2 Several states charge aircraft registration fees at different levels based on the weight of the aircraft. Employing such a system in Washington would increase revenue without placing a large financial burden on many smaller aircraft operators.

Variation 3 Another potential source of increased revenue is the motor vehicle fuel tax, which currently contributes 0.028% of gas tax collections to the Aeronautics Account. An increase from this source (Solution 2A) would not impose additional burdens upon aviation users.

Implementation Timeline: Solution 3A is estimated to be implementable within a two- to five-year timeline from initiating the work.

³ NBAA State Aviation Tax Report, www.nbaa.org/admin/taxes/state

Analysis Summary

Solution 3B. Airport Leasehold Taxes Go into 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.

Key Benefits
<ul style="list-style-type: none"> ■ Improves self-sustainability of state's aviation system ■ Does not impose additional taxes ■ Those paying taxes benefit from the tax
Key Challenges
<ul style="list-style-type: none"> ■ There are significant competing interests for revenues in the General Fund ■ Reallocating funds simply draws money away from other state needs and priorities

Current State	<ul style="list-style-type: none"> ■ Washington imposes a tax on private parties that rent public property, termed a leasehold excise tax. ■ This tax is in lieu of a property tax, which is not paid on publicly owned property. ■ Current tax rate is 12.84% of the rent paid. ■ Approximately 53 percent of these tax revenues go to the State General Fund and 47 percent are distributed to the county and city where the leased property is located. ■ In 2013, leasehold excise taxes (from all state lands) generated \$27.4 million for the State General Fund and \$24.3 million for local jurisdictions. ■ 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.
Proposed Solution	<ul style="list-style-type: none"> ■ Leasehold excise taxes currently generated by leases on publicly owned airports would be reallocated from the General Fund to the Aeronautics Account so the proceeds could be spent on aviation assets.
Future State if Implemented	<ul style="list-style-type: none"> ■ 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. ■ 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, which would cover from between half to the entire funding gap.



Implementation Strategies

Strategy 1 Bill sponsors should identify and support proponents of this solution that can drive the legislative process and effect this change.

Strategy 2 To counter political opposition, bill sponsors and supporters should enlist the aid of aviation support groups. Additionally, bill sponsors and supporters should consider trying to build a coalition that includes non-aviation organizations through efforts like those illustrated in Variation 1.

Solution Variations

Variation 1 As an example of how to address current political issues, a variation on this solution could help with another significant legislative funding issues. For example, the leasehold tax revenues currently deposited into the state General fund could be split between the Aeronautics Account and schools (K-12), with an emphasis on schools that provide aviation education.

Variation 2 If the amount of leasehold taxes paid by airports is more than the funding gap, only a fraction of the leasehold taxes would need to go to the Aeronautics Account.

Implementation Timeline: Solution 3B is estimated to be implementable within a two- to five-year timeline from initiating the work.

Analysis Summary

Solution 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.

**An in-depth analysis that reviews evidence supporting certain key challenges is provided in Appendix 17.*

Key Benefits
<ul style="list-style-type: none"> ■ Improves self-sustainability of state's aviation system ■ Does not impose a new tax ■ Fulfills public policy
Key Challenges*
<ul style="list-style-type: none"> ■ 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

Current State	<ul style="list-style-type: none"> ■ 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 percent⁴ of WSDOT Aviation's funding. ■ Exemptions apply to 96 percent of fuel transactions⁵ in Washington in a typical year, resulting in most of the tax falling on general aviation users engaged in business, recreational, or instructional flights. ■ Exemptions to this fuel excise tax apply to: <ul style="list-style-type: none"> ○ Fuel delivered directly into the tanks of specified commercial operators. ○ Fuel delivered into the bulk storage tank of a certified user. ○ Fuel purchased by the US government. ○ Emergency medical air transport entities. ○ Agricultural use. ○ Fuel used in the operation of aircraft for testing or experimental purposes. ○ Training of crews for purchasers of aircraft who are certified air carriers. ○ Fuel sold for export and exported from the state. ○ Fuel sold to a licensed aircraft fuel distributor. ○ Fuel imported into the state in interstate/foreign commerce and intended to be sold while in interstate/foreign commerce.
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⁴ *Washington Airport Investment Study, Funding Airport Investments, Exhibit 3-27, p. 27.*

⁵ *State of Washington Joint Legislative Audit & Review Committee 2011 Tax Preference Performance Reviews, Report 12-2, January 11, 2012, page 32.*



<p>Proposed Solution</p>	<ul style="list-style-type: none"> ■ Exemptions on the fuel excise tax would be revised so that the \$0.11 per gallon fuel excise tax is applied as uniformly as possible. ■ Some exemptions would have to be kept in place to avoid legal issues. For example, the state is not allowed to collect taxes from the federal government, so the exemption for fuel purchased by the federal government would need to remain in place.
<p>Future State if Implemented</p>	<ul style="list-style-type: none"> ■ Estimates of additional revenue brought into the Aeronautics Account from the revision of fuel excise tax exemptions range from \$8 million⁶ to nearly \$60 million⁷. ■ Other exemptions could be retained for a variety of reasons as outlined in 'Solution Variations'

Implementation Strategies

Strategy 1 Bill sponsors and supporters will need to give careful consideration to the constitutional issues surrounding the removal of certain tax exemptions. Consultation with a legal expert is advised.

Strategy 2 Given the likely political opposition from numerous groups (airlines and passengers, to name just two), bill sponsors and supporters will need to form a support coalition that can collaborate with these groups.

Solution Variations

Variation 1 Emergency medical air transport entities contribute to public safety through the services they offer. Bill sponsors and supporters may want to consider whether revising the exemption on medical air transport entities is worth imposing additional costs on critical healthcare services and the public good they provide in return for a small amount of revenue.

Variation 2 In keeping with the inferred public policy objectives outlined in the *Washington JLARC*, bill sponsors and supporters should consider maintaining the fuel excise tax exemptions on fuel sold for export and exported from the state. The same logic should also be applied to fuel imported into the state in interstate or foreign commerce and intended to be sold while in interstate or foreign commerce. This would comply with US Constitutional prohibitions on taxing goods in interstate or foreign commerce. If these fuel excise tax exemptions are maintained, along with the exemptions recommended in Variation 1 and Variation 2, the aircraft fuel excise tax could produce an additional \$56 million in tax revenue for the Aeronautics Account,⁸ assuming no change in demand for fuel.

Variation 3 Consider keeping the aircraft fuel excise tax exemption on fuel purchased for flight testing and

⁶ *State of Washington Joint Legislative Audit & Review Committee 2011 Tax Preference Performance Reviews, Report 12-2*, January 11, 2012, page 33.

⁷ 12billion.org, Washington data sheet

⁸ Based on Washington DOL 2013 data of 511 million gallons of tax exempt aircraft fuel used by airlines (classified as sales to Washington certified users or exempt aircraft) taxed at \$0.11 per gallon.

training of flight crews. These exemptions help support the aircraft manufacturing industry in Washington and it may not be prudent to raise taxes on this segment of the industry.

Variation 4 Washington state applies sales tax only to commercial jet fuel that is used in the state, known as a burn-rate. It may be appropriate to apply the burn-rate methodology to the fuel excise tax and collect this tax from the airlines for the fuel consumed within Washington. Note that only three states (Washington, New York, and New Jersey) use a burn-rate methodology.⁹ All others tax the entire amount of fuel purchased in the state.

Variation 5 For any tax implementation, consider linking the tax to a measure of inflation, so that it could be increased at periodic intervals and not be eroded over time by inflation. Such measures of inflation could include changes in the construction price index, the gross domestic product, or similar measures. Inflation adjustments to the tax could be made annually or less periodically, such as every three or five years.

Variation 6 Instead of a flat per gallon fuel excise tax, the state could apply a sliding scale fuel excise tax that would incentivize operations in Washington. For example, the following table illustrates a sliding scale of tax rates that could be applied to all aviation fuel users.

Annual Miles Flown in Washington	Fuel Excise Tax Rate
0 miles to 10,000 miles	\$0.11
10,000 miles to 50,000 miles	\$0.10
50,000 miles to 100,000 miles	\$0.09
100,000 miles to 250,000 miles	\$0.08
250,000 miles to 500,000 miles	\$0.07
500,000 miles to 1,000,000 miles	\$0.06
1,000,000 miles or more	\$0.05

Alternative variations include sliding scales that use the number of gallons of fuel purchased annually in Washington, the number of landings and take offs in Washington, or the number of flight hours flown in Washington.

Implementation Timeline: Solution 3C is estimated to be implementable within a two- to five-year timeline from initiating the work.

⁹ *Combined Effective Commercial Jet Fuel Tax Rates and Fees by State*, Tax Foundation, taxfoundation.org/blog/combined-effective-commercial-jet-fuel-tax-rates-and-fees-state, retrieved 28 October 2014.



Analysis Summary

Solution 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.

Key Benefits
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> There are significant competing interests for revenues in the General Fund Publicly owned unmanned aircraft may be exempt from tax

Current State	<ul style="list-style-type: none"> Washington based aircraft are subject to either the property tax or the aircraft excise tax, depending on the type of aircraft. 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. Aircraft excise tax is based on the type of aircraft, ranging from \$20 to \$125 per year. Aircraft excise taxes generate approximately \$330,000 annually. 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. 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.
Proposed Solution	<ul style="list-style-type: none"> 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. Aircraft excise taxes would be applied to unmanned aircraft.
Future State if Implemented	<ul style="list-style-type: none"> 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. WSDOT Aviation would need to register and track unmanned aircraft in order to administer aircraft excise tax collections on unmanned aircraft.

Implementation Strategies

Strategy 1 The focus should be on support for the current legislative efforts to capture 100% of the aircraft excise tax revenues for the state aviation system.

Strategy 2 Once 100% of the aircraft excise tax is captured for the state aviation system, key stakeholders coordination should occur to determine if further adjustments to the tax are feasible.

Solution Variations

Variation 1 An alternative to taxing aircraft a flat rate based on the type of aircraft is to impose an annual aircraft excise tax of a fixed percent of the value of the aircraft. A survey of aircraft excise taxes in the US found three states that impose such a tax, ranging from 0.3 percent of the value of the aircraft, up to 3 percent of the value of the aircraft.

Variation 2 Consider reallocating the 6.5% sales tax on aircraft sold in Washington State to the Aeronautics Account from the state General Fund.

Variation 3 For any tax implementation, consider tying the tax to a measure of inflation, so that it could be increased at periodic intervals and not be eroded over time by inflation. Such measures could include changes in the construction price index, the gross domestic product, or similar measures. Inflation adjustments to the tax could be made annually or less periodically, such as every three or five years.

Implementation Timeline: Solution 3D is estimated to be implementable within a two- to five-year timeline from initiating the work.



Analysis Summary

Solution 4F. Development of 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.

Key Benefits
<ul style="list-style-type: none"> ■ 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
<ul style="list-style-type: none"> ■ 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

Current State	<ul style="list-style-type: none"> ■ 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. ■ 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.
Proposed Solution	<ul style="list-style-type: none"> ■ Develop a BMP guidebook/toolkit. ■ Distribute guidebook/toolkit information and conduct training for interested airports and municipal managers.
Future State if Implemented	<ul style="list-style-type: none"> ■ A best management practices BMP guidebook would document those practices from throughout the United States and around the World that are helping airports improve their bottom line, and thus have more funding available for needed capital development. ■ Those 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.

Implementation Strategies

Strategy 1 While developing the BMP guidebook, conduct outreach and solicit input from the small and medium size general aviation airports.

Strategy 2 Work closely with all municipal and airport management associations to establish need and buy-in for the BMP guidebook/toolkit and education program.

Strategy 3 Take the opportunity through a formal informational program to highlight the long term sustainable value of the airports operating under established best practices.

Solution Variations

Variation 1 Include a P3 educational component to the guidebook/toolkit to help educate the Washington State aviation and airport management officials regarding the availability and applicability of P3 funding programs to help them resolve their capital funding gaps.

Implementation Timeline: Solution 4F is estimated to be implementable within a two-year timeline from initiating the work.



Findings

Exhibit 4-1 identifies high-level findings from the solutions analysis. The high-level findings reflect

solution technical implementation elements that may reflect the relative ease of implementation for each solution from this standpoint.

**EXHIBIT 4-1
Solution Implementation Findings**

Title	Anticipated Implementation Timeline (years)	Involves Stakeholders Beyond Aviation	Requires Legislative Action	Requires Extra Study/Analysis	Requires Seed Monies from Existing Revenue Sources
New Funding Solutions					
1B. West Coast Infrastructure Exchange (WCX) Project Funding	0-2		✓	✓	✓
1D. Public Private Partnerships (P3)	0-2			✓	
1G. Alternative Taxing of Airport Operationally Oriented Uses	2-5	✓	✓	✓	
1I. Alternative Taxing of the Proportional Value of Transportation Benefits Derived	2-5	✓	✓	✓	
1J. Alternative Economic Development-Based Consumption Tax	2-5	✓	✓	✓	
1K. Establish a State-Sponsored Revolving Aviation Infrastructure Loan Fund (SRF)	2-5		✓	✓	✓
Revising Existing Funding Solutions					
2A. Realignment of Current Transportation Revenue Allocations	2-5	✓	✓	✓	
2B. Modify Current State Transportation Funds Allocations Across All Modes	2-5	✓	✓	✓	
3A. Increase Select Aviation Tax Rates	2-5		✓	✓	
3B. Airport Leasehold Taxes Go Directly Into the Aeronautics Account	2-5	✓	✓	✓	
3C. Revise Fuel Excise Tax Exemptions	2-5	✓	✓	✓	
3D. Modify and Improve the State Aircraft Excise Tax and Aircraft Sales Tax Programs	2-5	✓	✓	✓	
Non-Funding Solutions					
4F. Develop a Best Management Practices (BMP) Guidebook / Toolkit for Airports	0-2			✓	

Recommendations for Performance Analysis

Assessment of the anticipated performance, including positive and negative impacts of each of the solutions and a comparison of the revised solutions are made in subsequent analyses and are documented in the “Performance Analysis” section of this document.

The study team refined each of the solutions in the analysis process. In many cases broad solution concepts have been refined in to somewhat specific recommended actions, with implementation strategies, and potential solution variations.

The study team assessed the refined solutions against the initial screening criteria to confirm that the solutions are still feasible, acceptable, suitable, distinguishable, and complete. The study team determined that three of the solutions may not meet the screening criteria at this time.

Solution 1B – West Coast Infrastructure Exchange (WCX) Project Funding. This solution may not be feasible, due to applicability challenges. The WCX targets bundling of projects to achieve \$100 to \$150 million to attract investors. It is not feasible to bundle projects across airports to achieve this amount. Add to this that airports developing revenue generating projects often have access to bonding opportunities with lower interest rates, and will not be attracted to the WCX.

Solution 1I – Alternative Taxing of the Proportional Value of Transportation Benefits Derived. This solution may not be acceptable politically. It is very unlikely that widespread support can be established to target and assess businesses that benefit from the aviation system. This solution may also not be feasible. Determining the metric for who is taxable, identifying the benefitting businesses, and administratively collecting the taxes would be prohibitively difficult and controversial.

This solution originated by example from other states that leverage significant natural resource monies and impact fees from the extracting and transporting of those resources. Washington State has no such natural resource wealth to leverage and it is much less feasible to target thriving business market sectors.

Solution 2B – Modify Current State Transportation Funds Allocations. This solution 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. Unless there is already a holistic approach being proposed to transportation funding, this solution may not get any traction politically.

These three solutions may be more viable in the future, and as such, are not recommended to be discarded. Rather, **the study team recommends that these three solutions not be included in subsequent performance analysis as part of this study.** This allows for more focus and time to be spent analyzing consequences for the remaining viable solutions.

Exhibit 4-2 provides the revised list of ten solutions recommended for consequences analysis.



EXHIBIT 4-2
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