

# HOUSE BILL REPORT

## HB 1456

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**As Reported by House Committee On:**  
Transportation

**Title:** An act relating to a community aviation revitalization loan program.

**Brief Description:** Concerning a community aviation revitalization loan program.

**Sponsors:** Representatives Dent, Springer, Orcutt, Mosbrucker, Gregerson, Ybarra, Slatter, Chapman, Dye, Hoff, Eslick, Lovick, Tarleton, Jenkin and Riccelli.

**Brief History:**

**Committee Activity:**

Transportation: 2/7/19, 2/25/19 [DPS].

**Brief Summary of Substitute Bill**

- Directs the Washington State Department of Transportation to convene a Community Aviation Revitalization Board (Board) to provide loans to certain public use airports for projects that support general aviation activities.
- Provides guidelines for how the Board may operate and for how the Board should receive and review loan applications.

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### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Fey, Chair; Slatter, 2nd Vice Chair; Valdez, 2nd Vice Chair; Wylie, 1st Vice Chair; Barkis, Ranking Minority Member; Walsh, Assistant Ranking Minority Member; Young, Assistant Ranking Minority Member; Boehnke, Chambers, Chapman, Dent, Doglio, Dufault, Entenman, Eslick, Goehner, Gregerson, Lovick, McCaslin, Mead, Orcutt, Ortiz-Self, Paul, Pellicciotti, Riccelli, Shea, Shewmake and Van Werven.

**Minority Report:** Do not pass. Signed by 1 member: Representative Ramos.

**Staff:** Patricia Hasan (786-7292).

**Background:**

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

A combination of federal, state, and local funds are leveraged to address airport capital and preservation needs at public-use airports. There are 135 public-use airports eligible for funding from the Washington State Department of Transportation's (WSDOT) Airport Aid Grant Program (grant program), through which the WSDOT solicits grant applications and awards funds, capped at \$250,000 for an individual applicant, once per year. Any city, county, airport authority, political subdivision, federally recognized Indian tribe, public corporation, or person(s) that owns and operates a public-use airport included in the Washington Aviation System Plan is considered an eligible airport sponsor within the grant program and may apply for grant program funds. A municipality, tribe, or person(s) may act jointly with other municipalities, tribes, or persons to plan or carry out the project. Airport sponsors applying for grants must own or have a long-term lease for the land upon which the project will be completed. Sixty-four of the public-use airports in Washington are also eligible to receive federal funding through the federal Airport Improvement Program.

In 2013 the WSDOT began an Airport Investment Study to evaluate short- and long-term airport capital and preservation needs at public-use airports and identify any potential gaps between forecasted funding and needs. The WSDOT found that the 134 public-use airports evaluated for the study would need an estimated \$3.6 billion in project funding during the 20 years following the study.

Analysis of the study resulted in 10 core solutions to bridge the funding gap detailed in an *Airport Investment Solution Handbook* produced in July 2015. One core solution is to establish a state-sponsored revolving aviation infrastructure loan fund. A revolving loan fund is meant to be a self-replenishing pool of funds, using interest and principle payments on old loans to issue new loans. The WSDOT found the key benefits of this approach to include: (1) a new self-generated aviation funding source for revenue-generating projects; (2) a wide range of user group support; and (3) relief for airport bonding and borrowing capacity for other projects and programs. However, key challenges observed by the WSDOT are that: (1) upfront seed money is required; and (2) loans are limited to projects that produce revenue or cut costs to pay back the loans.

The 2017-2019 Capital Budget (Capital Budget) appropriated \$5 million to the WSDOT to create a Community Aviation Revitalization Board (Board) to provide loans to political subdivisions of the state and privately owned airports for airport improvements. The Board was directed to develop criteria for selecting loan recipients and to develop a process for evaluating applications. The Capital Budget also established the Public Use General Aviation Airport Loan Revolving Account (Account) in the custody of the State Treasurer. The expenditures from this Account may only be used to fund authorized loans as approved by the Board, and repayment of the loans must be paid back into the Account. The authority for the Board and the Account expires at the end of the 2017-2019 biennium, which is June 30, 2019.

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### **Summary of Substitute Bill:**

#### **Community Aviation Revitalization Board.**

The Board established in the Capital Budget is modified to make direct loans to airport sponsors of public-use airports in the state for the purpose of airport improvements that primarily support general aviation activities.

The Board has the following membership requirements:

- representatives from the WSDOT's Aviation Division, the Public Works Board, and a nonlegislative member of the Community Economic Revitalization Board; and
- five members appointed by the Secretary of Transportation (Secretary) to represent the following: port districts, counties, cities, airport managers, and a general aviation pilots organization within the state.

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

The Board may:

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

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

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

#### Loan Application and Evaluation Requirements.

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

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

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

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

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

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

#### Loan Account.

The Account as created in the Capital Budget is modified so that moneys in the Account that are attributable to appropriations of state bond proceeds may not be expended for loans to airports that are owned by nongovernment entities.

#### Definitions.

The following definitions are made for use in aeronautics statutes:

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

#### **Substitute Bill Compared to Original Bill:**

The substitute bill adds a clarifying codification instruction to reenact and amend, instead of amend, the portion of the Capital Budget that is modified and includes an emergency clause so the act takes effect immediately.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

#### **Staff Summary of Public Testimony:**

(In support) This bill will create a program to fund projects at airports that otherwise would not be funded through the grant program and would enable small airports to borrow money to fund small economic development projects. The bill would provide much-needed revenue to

support small airports across the state. It would instigate a paradigm shift in the way airports are viewed. The bill is about helping local communities, increasing utilization of underused assets, and teaching rural airport owners to become self-sufficient. Small airports would be sustainable with the loans provided in the bill. These types of airports need cash flow to build infrastructure that they can then use to create revenue. This bill promotes small community economic development. Many of these small airports are the life-blood of the surrounding communities.

Not every airport in the state is eligible for this loan program, and there are parameters that limit the size of the airports that are eligible, such as an upper limit of 50,000 annual passenger enplanements at an airport.

Central Washington University (CWU) has the only four-year aviation program in the western United States, and the university is hoping to expand the program in the coming years to address the acute pilot shortage. The airport facilities used by the CWU aviation program are slowly deteriorating due to lack of funding. The surrounding community would like to see the CWU aviation program expand in the current location. Other types of projects airports could use funding for are runway upgrades that would allow aircraft to operate in inclement weather and hangar modifications for increased capacity.

The funding that becomes available with this bill could be used by local governments as matching funds for available federal funding to support projects. Airports must do a better job at becoming financially independent, which is not possible with hangar rates and tie-down fees. Airports need multiple sources of revenue, and they need opportunities for both aeronautical and non-aeronautical industrial development. Current FAA and WSDOT grant funding is restricted to runways and taxiways.

(Opposed) None.

(Other) A great deal of groundwork has already taken place. With the authorization and the \$5 million provided in the Capital Budget, the WSDOT was afforded the opportunity to assemble the Board members, develop the loan procedures, format the loan application, prepare the suggested Board operating rules, and gather details on projects of interest from airport owners interested in these loans. With the passage of this bill, the program is ready to go.

The intent of the bill is to build self-sustainability across public use airports in the state with the goal to reduce their dependence on federal and state grants to maintain the facilities. The federal grant program is geared toward maintaining the required infrastructure at airports and does not include direct revenue-producing projects, such as constructing hangars, adding aircraft fueling stations, or the development of retail or business parks on airport property. This loan program would provide airports with a mechanism to pursue those types of projects.

**Persons Testifying:** (In support) Representative Dent, prime sponsor; Steve DuPont, Central Washington University; Bill Clarke, Kittitas County; Scott Merriman, Office of Financial Management; John Dobson and Chris Herman, Washington State Aviation Alliance; Luke Esser, City of Yakima; and Dave Morell, Pierce County Council.

(Other) David Fleckenstein, Washington State Department of Transportation.

**Persons Signed In To Testify But Not Testifying:** None.