

HOUSE BILL REPORT

HB 1457

As Reported by House Committee On: Transportation

Title: An act relating to the distribution of aircraft fuel tax revenue.

Brief Description: Concerning the distribution of aircraft fuel tax revenue.

Sponsors: Representatives Dent, Springer, Orcutt, Slatter, Dye, Chapman, Hoff, Eslick, Lovick and Jenkin.

Brief History:

Committee Activity:

Transportation: 2/7/19, 2/27/19 [DPS].

<p>Brief Summary of Substitute Bill</p> <ul style="list-style-type: none">• Changes the distribution of state revenues collected from the sales and use tax for aircraft fuel.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 29 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, Irwin, Kloba, Lovick, McCaslin, Orcutt, Ortiz-Self, Paul, Pellicciotti, Riccelli, Shea, Shewmake and Van Werven.

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

Minority Report: Without recommendation. Signed by 1 member: Representative Mead.

Staff: Patricia Hasan (786-7292).

Background:

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.

Aircraft fuel is gasoline or any other inflammable liquid that is chiefly used as a fuel for the propulsion of aircraft. An excise tax and a sales and use tax is collected on aircraft fuel used in Washington.

An excise tax of 11 cents is levied on distributors for each gallon of aircraft fuel that is sold, delivered, or used in Washington, with some exceptions. This excise tax is collected by the Department of Licensing and remitted to the State Treasurer (Treasurer) for deposit into the Aeronautics Account.

A sales or use tax of 6.5 percent of the selling price of aircraft fuel is collected from purchasers and users of aircraft fuel in Washington. The sales and use tax is collected by a seller of aircraft fuel. The seller of aircraft fuel then remits the collected sales and use tax amount to the Department of Revenue (DOR), and the DOR remits the moneys to the Treasurer for deposit into the State General Fund.

Summary of Substitute Bill:

The sales and use tax collected from purchasers and users of aircraft fuel in Washington is distributed as such:

- an amount equivalent to imposing a 1-percent tax must be credited to the Aeronautics Account; and
- the remaining revenues collected from the sales or use tax are deposited into the State General Fund.

Substitute Bill Compared to Original Bill:

The substitute bill clarifies the sales and use tax distribution to the Aeronautics Account from "1 percent of the 6.5 percent of revenues collected" to "an amount equivalent to imposing a 1 percent tax."

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) There is a 6.5 percent sales and use tax on aviation fuel that is deposited in full into the State General Fund. This bill would reduce the amount deposited to the State General Fund to 5.5 percent, and 1 percent would be deposited to the Aeronautics Account. The money received from this change, around \$10 million, will go into the Washington State Department of Transportation's Airport Aid Grant Program. That money can then be

leveraged for grant money from the Federal Aviation Administration. The federal amounts available to Washington in fiscal year 2019 are between \$55 million and \$60 million. The state leaves some of this money on the table because it is unable to provide the required 10 percent matching funds. While there is a fiscal impact to the State General Fund, the bargain here is to redirect that \$10 million to the aviation program now, and then with the increased sales and use taxes and business and occupation (B&O) taxes that are collected during and after aviation projects are completed, the State General Fund will be repaid that amount and more in about two years' time. There is a history with this type of reallocation of funds; in 2015 the aircraft excise tax was redirected, and there is proof that with the ability to leverage more money for projects and the additional taxes being collected, the amount of money brought into the State General Fund and the state in general outpaces the amount removed from the State General Fund. As for specifics, the Legislature approved the redistribution of \$637,000, and that money leveraged \$10.6 million in project funding, and the State General Fund received about \$900,000 in sales and use taxes and B&O taxes during and after the projects.

There are three main plans for the use of this additional money. First, the money would be used to work on aviation infrastructure within the state. Second, the money would be used to expand the state's air cargo program. Third, the money would be used to support students of aviation, such as pilots and mechanics, with low-interest loans; this would help address the shortage of workers in the aviation industry. This bill is about economic development and being able to move Washington forward. Aviation and aerospace is a major industry in Washington, and the state needs to be thinking ahead to stay in front of progress.

Looking at the airports in the state, the state has invested about \$6.4 billion in just the runway surfaces, which does not include tarmac, taxiways, or the dirt. If Seattle-Tacoma International Airport and the other commercial airports were removed from the calculation, the state investment amount is about \$4 billion. With this level of investment, the aviation community is paying about \$548 million to the State General Fund, which is a pretty good return on investment at a little over 8 percent. In return, the amount from the State General Fund that is redirected back into the aviation community is around \$1.1 million out of a \$548 million investment, and the aviation community would like some more of that money to come back to fund aviation needs. The current need for rehabilitation, maintenance, and replacement projects for the asphalt on airport runways throughout the state is about \$8.4 million, and this bill would help provide some, but not all, of the funds to complete these projects.

Central Washington University (CWU) has the only four-year aviation program in the western United States, and the CWU 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. Airports could use funding for other types of projects like runway upgrades that would allow aircraft to operate in inclement weather and hangar modifications for increased capacity.

The economic activity resulting from providing funding to airports for infrastructure includes 248,500 jobs, \$15.3 billion in wages, and \$50 billion in total economic activity. Most of the

airports that would be receiving this money are small and located in the rural areas of Washington; this bill can be looked at as a rural jobs creator.

(Opposed) None.

Persons Testifying: Representative Dent, prime sponsor; Chris Herman and John Dobson, Washington Aviation Alliance; Mike Ennis, Association of Washington Business; Steve DuPont, Central Washington University; and Luke Esser, City of Yakima.

Persons Signed In To Testify But Not Testifying: None.