

SENATE BILL REPORT

SB 5329

As of February 1, 2021

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

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

Sponsors: Senators Honeyford and Holy.

Brief History:

Committee Activity: Transportation: 2/01/21.

Brief Summary of Bill

- Changes the distribution of state revenues collected from the sales and use tax for aircraft fuel.
- Requires reporting of grant funds awarded for airport projects and estimated funds returned to the general fund from sales and business and occupation taxes generated as a result of the funded airport projects.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Daniel Masterson (786-7454)

Background: 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 are collected on aircraft fuel used in Washington.

An excise tax of \$0.11 is levied on distributors for each gallon of aircraft fuel 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.

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

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 DOR remits the moneys to the treasurer for deposit into the state general fund.

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

- between July 1, 2021, and June 30, 2023, an amount equivalent to imposing a 0.5 percent tax must be credited to the aeronautics account;
- beginning July 1, 2023, 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.

Beginning July 1, 2021, the Aviation Division of the Department of Transportation (division) must track the amount of additional funds awarded for airport projects through the airport aid grant program. The division must report annually to the Transportation committees of the Legislature for the years 2021 to 2027, and thereafter as needed. The report must include, but is not limited to:

- a short description of each airport project funded;
- the state grant amount from the aeronautics account contributed to each project;
- the amount of federal matching funds contributed to the project; and
- the amount of local airport sponsor matching funds contributed to the project.

At the end of each fiscal biennium, beginning June 30, 2022, the division must report to the Senate Ways and Means, House Appropriations, and the Transportation committees of the Legislature the estimated amount of funds returned to the general fund giving consideration of sales and business and occupation taxes generated as a result of the funded airport projects.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill takes effect on July 1, 2021.

Staff Summary of Public Testimony: PRO: The FAA has notified the state it is not compliant with the FAA's aviation revenue policy. Our concern is if we do not come into compliance with revenues from aircraft fuel, we could lose all federal airport funding. That would be a disaster for our airports. If you look at the investments in airports, they repay in the form of sales tax revenues and other things that would overcome the loss of fuel tax

revenue. A 2018 airport pavement index study, illustrates the problem. The study showed pavement index was at 78 in 2005, that dropped to 73 in 2018, and is projected to drop to 66 by 2025. If the FAA does punish the state for non-compliance with the aviation revenue policy, it will not hit the state very much, but it will hit airports. It will hit SeaTac Airport hardest. SeaTac would not benefit directly from this bill. A lot of federal money is currently left on the table. Airport projects receive 90 percent funding from the federal government and the other 10 percent is either state or local match. Help local airports come up with more of that local match so we can pursue all of our federal allocation. Central Washington University operates the only four year aviation program in the Western U.S. out of Bowers Field in Ellensburg. That airport has been deteriorating over the years due to lack of funding. There is only one operating runway, another runway was shut down. Bowers Field is an underutilized asset in Kittitas County. Recently the commissioners have seen Bowers Field as an economic driver for Kittitas County, as well as all of Central Washington. We see this bill as a way to leverage resources for federal grants and to complete more of the projects the airport has under development.

Persons Testifying: PRO: Senator Jim Honeyford, Prime Sponsor; Steve DuPont, Central Washington University; Brett Wachsmith, Kittitas County; Chris Herman, Washington Public Ports Association.

Persons Signed In To Testify But Not Testifying: No one.