TO: Interim Joint Committee on Way and Means or Emergency Board  
via State Aviation Board  
FROM: Oregon Department of Aviation  
RE: Statewide Plan for use of ASAP grant funds through ROAR Program to be submitted to  
Oregon State Legislature Interim Joint Committee on Ways and Means  

The following is the Oregon Department of Aviation response to the HB 5004(2019) Budget Note. Staff recommends that the Board review and discuss the following document. Staff further recommends that the Board adopt the document for the Director to submit to the Oregon State Legislature Interim Joint Committee on Ways and Means.

Introduction

This document responds to the budget note in HB 5004 (2019) directing the Department of Aviation to develop a statewide plan for the use of grant funds targeting commercial air service in rural Oregon.

ODA has attempted to develop a plan enacting the legislation directing the program. This document is the discussion on the plan, and the plan itself is developed in Oregon Administrative Rules, chapter 738, division 124.

This statewide plan is to be adopted by the State Aviation Board and submitted to the Interim Joint Committee on Ways and Means or Emergency Board during the 2020 legislative session.

Background

Oregon legislation

Rural Oregon Airport Relief (ROAR) is a grant program created by the legislature (HB2075(2015)) and administered by the Oregon Department of Aviation (ODA). ROAR is funded by aviation fuel taxes collected in Oregon and must be distributed by ODA for the purpose of “assisting commercial air service to rural Oregon.”

In the 2019 Regular Session, the Legislature provided ODA with the following budget note in HB 5004:

“The Oregon Department of Aviation is directed to develop a statewide plan for the use of grant funds targeting commercial air service in rural Oregon. To receive funds, grant applicants should demonstrate how the proposed use serves that statewide plan. The Department is directed to include the statewide plan as part of the annual report required by ORS 319.020 and submit the report to the Interim Joint Committee on Way and Means or Emergency Board during the 2020 legislative session. It is the Legislature’s intent that grants awarded during the 2019-21 biennium conform to a statewide plan adopted by the State Aviation Board.”

ODA has received applications requesting funding for minimum revenue guarantees, subsidies, marketing, operations, airplane and airplane parts, development of a plan to establish rural air
service, and air service recruitment. Previous applicants have included municipalities, airport district, county, chamber of commerce, and a non-profit mutual benefit business association.

**Federal Aviation Administration**

The Federal Aviation Administration (FAA) has adopted the Revenue Use Policy set out in 64 Federal Register 7696 (February 16, 1999) and amended in 79 Federal Register 66282 (November 7, 2014), and 49 USC § 47107, 47133, which imposes restrictions and requirements on the use of airport revenues. The policy is applicable to all airports, privately-owned and publicly-owned, that are the subject of Federal assistance. Appendix A provides a brief overview of the Revenue Use Policy. The policy states that “State or local taxes on aviation fuel (except taxes in effect on December 30, 1987) are considered to be airport revenue subject to the revenue-use requirement”.

The FAA may enact sanctions for violations of the Revenue Use Policy. Actions may include but are not limited to, withholding funds or future grants from the State or airports, or assessment of civil penalties.

ODA understands the legislature’s direction to “assist” commercial air service to mean that ODA should provide grant funding only for projects that are consistent with FAA’s Revenue Use Policy. All ASAP funds are governed by the restrictions and requirements of the Revenue Use Policy.

**Research and studies**

1. **ROAR Economic Study**

In 2017 ODA approached ECONorthwest (ECONW) to assist in developing information that ODA and the State Aviation Board could use to provide context for its funding decisions.

The goal of the study was to provide ODA with contextual information that helps ODA better understand the potential impact of allocating funding to specific airports, regions, or programs in Oregon. Specifically, ODA understands that it needs a better picture of demand for commercial air service throughout Oregon to effectively allocate funding. A clear understanding of supply or current capacity—both of rural commercial air service and its substitutes—is also important.

The study determined the following policy implications:

- Market areas with higher demand indicator scores suggest regions where investments may have greater likelihood of producing benefits.
- Higher scores do not definitively indicate that demand will actually materialize, sufficient to support a specific level of service.
- Areas were identified where further study and community engagement is recommended.
- Policy solutions must be tailored to address the unique situation of each community.
- Multiple policy options are available to affect demand for rural air service.
People respond to changes in the total cost of a trip. Price of a ticket is just one factor.

- Economic development acts on underlying indicators of demand (population growth, income, employment).
- Marketing and information may reduce preference biases and uncertainty.

- Cost of providing service at a price people are willing to pay is the most significant barrier to expanding service to rural areas.

2. Informal statewide questionnaire

ODA distributed an online survey to all public use airports in Oregon with recommendation from ODA’s rulemaking advisory committee (RAC) currently working on the administrative rules for the Aviation System Action Program fund (which encompasses the ROAR program). The survey received a 32.99% response rate from a total of 32 respondents consisting of primary airports, general aviation airports, and privately owned-public use airports.

The survey inquired on the current priorities of the airports, listing a number of possibilities including but not limited to: establishing or maintaining commercial air service, FAA grant match funding, maintaining the airport in current or better condition, increasing the airport’s self-sustainability, maintaining/improving runway, taxiways, and apron areas, and more. The results demonstrated that the top three priorities are: 1) maintaining or improving runways, taxiways, and apron areas; 2) obtaining funding to adequately maintain the airport in as good if not better condition; and 3) obtaining funding to create opportunities at the airport that will increase self-sustainability. Establishing or maintaining commercial air service was not a primary priority for most respondents.

3. Statewide Plan

ODA has engaged a stakeholder group from the Oregon aviation community to discuss the ROAR program and identify how ROAR funds can be used to “assist commercial air service to rural Oregon,” consistent with the legislature’s direction expressed in statute and the budget note (which calls for “targeting commercial air service in rural Oregon”). As a result of that consultation, and balancing the considerations of complying with the Revenue Use Policy, ODA has developed a statewide plan for the use of ROAR grant funds.

ODA will conduct rulemaking necessary to administer the ROAR grant process consistent with its understanding of legislative direction.

New ROAR Overview:

Purpose
To increase the volume of commercial air service to rural Oregon through projects that fall within the parameters allowed by the FAA Revenue Use Policy for use of aviation fuel taxes.

Eligible Applicants
The plan will allow airports in rural Oregon to connect with other airports in rural Oregon, as well as connect airports in rural Oregon to destination airports elsewhere in the state which may transport commercial passengers or cargo in and out of Oregon. “Destination airports” are those designated as by the FAA as Primary airports or Essential Air Service (EAS) airports. Under this plan, allowable projects are those which assist commercial air service:

a) Between two airports, each in rural Oregon; or
b) Between an airport in rural Oregon and a Primary or EAS airport located anywhere in Oregon.

Airports in rural Oregon may apply independently for ROAR grant funds or may partner with a Primary or EAS airport outside of rural Oregon; however the applicant must be an airport located in rural Oregon.

**Eligible Projects**
ROAR grant funds may only be used for projects which assist commercial air service to rural Oregon in a manner consistent with the *Revenue Use Policy*. This may include capital equipment or capital improvement projects if the applicant can show how the project will increase the volume of commercial air service to rural Oregon within the parameters allowed by the FAA for use of aviation fuel taxes.

**What does “assist” mean?**
ODA understands that assistance provided by ROAR must be in a form consistent with the *Revenue Use Policy*. ROAR funds may not be used for minimum revenue guarantees or other purposes prohibited by the *Revenue Use Policy*.

**What does “commercial air service” mean?**
ODA consulted with a stakeholder group which recommended that “commercial air service” be defined as passenger travel via aircraft on a fee for service basis.

**What does “rural Oregon” mean?**
The stakeholder group consulted by ODA recommended that “rural Oregon” be defined as any area within the state of Oregon that was not officially designated or delineated as a Metropolitan Statistical Area by the U.S. Office of Management and Budget.
Table 1 identifies airports by their location. Airports listed in the Oregon Primary and EAS Airports column may not participate in the ROAR program without partnering with a Rural Oregon Airport.

<table>
<thead>
<tr>
<th>Rural Airports in Micropolitan Areas (Light Green and White on Map)</th>
<th>Oregon Primary and EAS Airports in a Metropolitan Statistical Area (may participate only with a partner Rural Oregon Airport)</th>
<th>Airports not included in the statewide plan Metropolitan Areas (Dark Green on Map)</th>
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</thead>
<tbody>
<tr>
<td>Alkali Lake State</td>
<td>Madras Municipal Airport</td>
<td>Crater Lake Klamath Regional*</td>
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<tr>
<td>Arlington Municipal</td>
<td>Malin Airport</td>
<td>Eastern Oregon Regional at Pendleton</td>
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<td>Baker City Municipal Airport</td>
<td>McDermitt State</td>
<td>Mahlon Sweet Field-Eugene</td>
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<td>Bandon State Airport</td>
<td>McKenzie Bridge State</td>
<td>McNary Field* - Salem</td>
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<td>Beaver Marsh</td>
<td>Memaloose Airport</td>
<td>Portland International</td>
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<tr>
<td>Boardman Municipal Airport</td>
<td>Miller Memorial Airpark</td>
<td>Rogue Valley International - Medford Redmond Municipal</td>
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<tr>
<td>Brookings Airport</td>
<td>Monument Municipal</td>
<td>Southwest Oregon Regional</td>
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<td>Burns Municipal Airport</td>
<td>Myrtle Creek</td>
<td>Redmond Municipal - Robert's Field</td>
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<td>Cape Blanco State Airport</td>
<td>Nehalem Bay State Airport</td>
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<td>Cascade Locks State Airport</td>
<td>Newport Municipal Airport</td>
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<td>Chiloquin State Airport</td>
<td>Oakridge State Airport</td>
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<td>Christmas Valley Airport</td>
<td>Ontario Municipal</td>
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<td>Columbia Gorge Regional - The Dalles</td>
<td>Owyhee Reservoir State Airport</td>
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<td>Condon State Airport</td>
<td>Pacific City State Airport</td>
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<td>Crater Lake Klamath Regional</td>
<td>Paisley State Airport</td>
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<td>Crescent Lake State Airport</td>
<td>Pinehurst State Airport</td>
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<td>Enterprise Municipal Airport</td>
<td>Port of Astoria Regional Airport</td>
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<td>George Felt Airport</td>
<td>Prineville Airport</td>
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<td>Gold Beach Municipal Airport</td>
<td>Prospect State Airport</td>
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<td>Grant County Regional Airport</td>
<td>Rome State Airport</td>
<td>Portland – Troutdale</td>
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<td>Hermiston Municipal Airport</td>
<td>Roseburg Regional Airport</td>
<td>Portland Downtown Heliport</td>
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<td>Joseph State Airport</td>
<td>Seaside Municipal</td>
<td>Sandy River Airport</td>
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<td>Ken Jernstedt Airfield</td>
<td>Siletz Bay State Airport</td>
<td>Santiam Junction State Airport</td>
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<tr>
<td>La Grande / Union County Airport</td>
<td>Tillamook Airport</td>
<td>Scappoose Industrial Airport</td>
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<td>Lake Billy Chinook</td>
<td>Tokatee State Airport</td>
<td>Sisters Eagle Air Airport</td>
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<td>Lake County Airport</td>
<td>Toledo State Airport</td>
<td>Skyport Airport</td>
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<tr>
<td>Lenhardt Airport</td>
<td>Wakonda Beach State Airport</td>
<td>Sportsman Airpark</td>
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<tr>
<td>Lexington Airport</td>
<td>Wasco State Airport</td>
<td>Starks Twin Oaks</td>
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*Crater Lake-Klamath Regional and McNary Field do not currently have existing commercial air service.*
Image 1 provides a color map of areas that are within the definition of “rural Oregon.” White and light green areas represent rural Oregon - areas designated or delineated as a Micropolitan Statistical Area. The dark green areas represent areas outside of rural Oregon – areas designated or delineated as a Metropolitan Statistical Area.

Image 1: https://www2.census.gov/geo/maps/metroarea/us_wall/Sep2018/CBSA_WallMap_Sep2018.pdf?#
Appendix A
FAA Revenue Use Policy Policy


The FAA provides a guidance document, the Air Carrier Incentive Program Guidebook (available online at https://www.faa.gov/airports/airport_compliance/media/air-carrier-incentive-2010.pdf) which provides information about how the Revenue Use Policy Policy applies to incentive programs.

The information in this appendix summarizes provisions of the Revenue Use Policy Policy and does not describe its contents fully.

The Revenue Use Policy Policy permits the following uses of subject funds:

1. Incentive programs which promote competition or new carriers at an airport (provided there are no prohibited subsidies to an air carrier) or foster public and industry awareness of airport facilities and services; A share of promotional expenses such as marketing, advertising, and related activities designed to increase travel using the airport, provided the activities meet the requirements of the Revenue Use Policy;
2. The capital or operating costs of the airport, local airport system or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property;
3. Repayment of certain expenses which are for services to the airport which were actually received and documented, provided they are not prohibited by the Revenue Use Policy;
4. Support of community activities, participation in community events, or support of community-purpose uses of airport property if such expenditures are directly and substantially related to the operation of the airport; and
5. Capital or operating costs of those portions of an airport ground access project that can be considered an airport capital project, of that part of a local facility that is owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property, including use by airport visitors and employees.

The Revenue Use Policy Policy prohibits the following uses of subject funds:

1. Incentive programs which provide air carrier subsidies such as minimum revenue guarantees, free aviation fuel or aircraft parts, interest-free loans or pay-for-service;
2. Marketing or promotional activities which promote the destination or tourism or which are unrelated to airports or airport systems;
3. Direct or indirect payments that exceed the fair and reasonable value of those services and facilities provided to the airport;
4. Direct or indirect payments that are based on a cost allocation formula that is not consistent with the Revenue Use Policy or that is not calculated consistently for the airport and other comparable units or cost centers of government;
5. General economic development;
6. Marketing and promotional activities unrelated to airports or airport systems;
7. Payments in lieu of taxes, or other assessments, that exceed the value of services provided or are not based on a reasonable, transparent cost allocation formula calculated consistently for other comparable units or cost centers of government;
8. Payments to compensate non-sponsoring governmental bodies for lost tax revenues to the extent the payments exceed the stated tax rates applicable to the airport;
9. Loans to or investment of airport funds in a state or local agency at less than the prevailing rate of interest;
10. Land rental to, or use of land by, the sponsor for non-aeronautical purposes at less than fair market value;
11. Use of land by the sponsor for aeronautical purposes rent-free or for nominal rental rates;
12. Impact fees assessed by any governmental body that exceed the value of services or facilities provided to the airport, but airport revenue may be used where airport development requires a sponsoring agency to take an action, such as undertaking environmental mitigation measures contained in an FAA record of decision approving funding for an airport development project;
13. Expenditure of airport funds for support of community activities and participation in community events, or for support of community-purpose uses of airport property; and
14. Direct subsidy of air carrier operations, not including waivers of fees or discounted landing or other fees during a promotional period offered to all users of the airport.