



Oregon

Tina Kotek, Governor

Oregon Department of Aviation

3040 25th Street SE
Salem, OR 97302-1125
Office: 503-378-4880
Fax: 503-373-1688



Re: Oregon Aviation Board Read Aheads for 2 Action Items:

- Approval of Oregon Department of Aviation 25-27 Agency Request Budget & Policy Option Packages
- Approval of Legislative Concept (10900-03 Jet Fuel Tax Split)

Presentation Date: July 9, 2026

Presented by: Kristen Forest, Finance Manager

Vote 1- Approval of Oregon Department of Aviation 25-27 Agency Request Budget & Policy Option Packages

Background-The Agency Request Budget (ARB) is the first of three budgets in the cycle. It is made up of our Current Service Level (Base Budget) minus our reduction package (also known as a revenue shortfall package 070) plus Policy Option Packages (POPS). POPS are specific funding and service proposals that request changes to the agency's base budget.

ODAV is proposing 2 POPS for the 27-29 Budget

POP 100- General Aviation Entitlement Projects

Total Expenditures are \$4,128,370.

Please see below for details of all projects included.

27-29 General Aviation Entitlement Projects				
State-Owned Airport	Proposed Projects, BI 27-29	Federal Amount	Match Requirement	Total Project Cost
FFY27				
Aurora State	Obstruction Removal - Easement Acquisition	\$ 533,250	\$ 59,250	\$ 592,500
Aurora State	Taxiway Rehabilitation and TSA Improvements - Environmental Assesment	\$ 414,000	\$ 46,000	\$ 460,000
Independence State	Runway Rehabilitation and Safety Improvements - Environmental Assessment	\$ 225,000	\$ 25,000	\$ 250,000
Joseph State	IAP Obstruction Removal - Phase I Easement Acquisition and Design	\$ 234,000	\$ 26,000	\$ 260,000
Mulino State	Obstruction Removal - Phase II - Easement Acquisition and Final Design	\$ 569,250	\$ 63,250	\$ 632,500
Siletz Bay State	Weather Reporting Equipment AWOS III P/T - Design/Construction	\$ 331,578	\$ 36,842	\$ 368,420
Siletz Bay State	Master Plan and AGIS Update	\$ 274,500	\$ 30,500	\$ 305,000
FY 27 TOTAL		\$ 2,581,578	\$ 286,842	\$ 2,868,420
FFY28				
Aurora State	Obstruction Removal - Design and Construction	\$ 282,555	\$ 31,395	\$ 313,950
Joseph State	IAP Obstruction Removal - Phase II - Construction	\$ 135,000	\$ 15,000	\$ 150,000
McDermitt State	Airport Master Plan and AGIS	\$ 270,000	\$ 30,000	\$ 300,000
Mulino State	Obstruction Removal - Phase III - Construction	\$ 446,400	\$ 49,600	\$ 496,000
FY 27 TOTAL		\$ 1,133,955	\$ 125,995	\$ 1,259,950
27-29 Budget TOTAL		\$ 3,715,533	\$ 412,837	\$ 4,128,370

POP 103- Pacific City State Airport Drainage, Road & Apron Capital Construction Project

Total Expenditures are \$1,581,250

Note: The board has approved this SOAR project in the latest SOAR project cycle. When a project is over \$1M it is added to the budget as a Capital Construction POP.

Redirections and Reduction Package 070-(Revenue Shortfall Package)

During the April 2026 meeting the board was presented with the agency's revenue shortfall of approximately \$3M in operations.

The Department of Administrative Services (DAS) CFO and the Governor's Office direction is to not increase revenues through increases to fees or taxes in the Agency Request Budget. The ARB will show what cuts or changes to the budget will be required if the agency does not increase revenues.

The ARB will reduce and redirect expenditures in 2 ways.

1st Revenue Redirection (Also known as an interfund transfer)

This change will fund 3 Airport Maintenance positions with SOAR funding instead of Operations funds. These positions are 2 Airport Facility & Operations Specialist and 1 Airport Operations Specialist. This will redirect revenue from SOAR to Operations in the amount of \$982,061. The result of this change in the budget will be reducing SOAR funds available in the next cycle. This is not ideal and is being proposed because cutting these positions is not an

option. If the agency is able to increase revenues to make up for the shortfall this redirection will be reversed.

2nd is a Revenue Reduction Package 070.

This package will reduce expenditure by a total of \$1,756,260.

The details of the redirection and the reduction package will be presented during the July 9th meeting.

These two reductions will allow the department to eliminate its projected revenue shortfall but will substantially diminish the Department's ability to fulfill its mission and preserve Oregon's statewide aviation system, potentially resulting in higher future costs and loss of critical aviation infrastructure and services.

Below is a summary of the 27-29 ARB

2027-29 Agency Request Budget							
Program	CSL	Revenue Shortfall Pck	POP 100 GA Projects	POP 103 Pacific City	ARB Total Funds	ARB OF	ARB FF
Operations	10,894,071	(1,535,134)			9,358,937	6,266,226	3,092,711
GA Entitlement	2,715,068		4,128,370		6,843,438	641,624	6,201,814
PMP	3,052,059				3,052,059	3,052,059	
AC Registration	275,796	(221,126)			54,670	54,670	
ASAP	16,237,358				16,237,358	16,237,358	
Capital Construction				1,581,250	1,581,250	1,581,250	
TOTAL	33,174,352	(1,756,260)	4,128,370	1,581,250	37,127,712	27,833,187	9,294,525

Staff Recommendation:

Staff recommend the State Aviation Board approve the proposed 27-29 Agency Request Budget and Policy Option Packages.

Next Steps- The ARB is due July 31st. Next is the Governor’s Budget that will be released at the end of the year and will include changes from the governor’s office and DAS. During the February 2027 Legislative session any bills that affect our budget will be included. The result will be our final budget, which is the Legislatively Adopted Budget (LAB). ODAV will execute this budget from July 1, 2027, to June 30th, 2029.

Vote 2- Approval of LC-10900-003, Fuel Tax Revenue Split

Legislative Concept Background- All agencies received guidance from the Governor’s Office and from DAS CFO to not introduce LCs that will increase fees or taxes. The agency has put together a revenue work group that is working on a solution to the agency’s revenue shortfall. If a solution or solutions are determined these will **not** be introduced by the agency as a LC and

instead will most likely be introduced by members of the legislature in the form of a revenue-increasing bill. Since these will not be introduced by the agency they will not be voted on by the board until the board votes on the LAB next year.

The agency has one legislative concept that does not increase revenues but instead redirects revenues.

Reason for LC: This legislative concept was drafted to reduce the \$3M Operations revenue shortfall during the 27-29 biennium.

Jet Fuel Tax Background: As listed in ORS 319.020 Jet Fuel is currently taxed at 3 cents per gallon. Specified in ORS 319.023, of this, 95% of 2 cents is dedicated to the Aviation System Action Program (ASAP) for grants available to airports throughout the state. 5% is dedicated to ASAP program administrative cost. This program was established in 2015. The ASAP is split 25% to SOAR and 75% for COAR. SOAR (State Owned Airport Reserve) grants fund safety improvements and infrastructure projects at public use state owned airports. COAR (Critical Oregon Airport Relief) provides grants to Oregon's public-use airports. 45% of a cent is dedicated to the Pavement Maintenance Program (PMP) that serves 66 paved public use airports throughout the state. PMP was established in 2000. 55% of one cent is dedicated to the Operations of the Agency. This includes costs to maintain the 28 state airports and 13 FTE (almost 90% of agency staff). The Operations fuel tax has not increased since 1955.

Here is a summary of the current 3 cent fuel tax breakdown:

- 2 Cents for ASAP
 - 5% of this is for ASAP Admin
 - Remaining 95% broken down as follows:
 - 75% COAR
 - 25% SOAR
- 1 Cent for PMP & Operations broken down as follows:
 - 45% of 1 Cent PMP
 - 55% of 1 Cent Operations

This proposed LC will change 95% of the 2 cents ASAP split as follows:

- 25% SOAR Grants
- 50% ODAV Operations
- 25% COAR Grants

This concept sunsets after the 27-29 biennium.

LC Effect on Revenue during 27-29

Effect on Revenue

The statute based on the Fuel tax splits will not increase the overall revenue. This LC will amend how much revenue each program will receive during 27-29.

Based on the current fuel tax splits the revenue per program for 27-29 will be as follows:

- Operations-(55% of 1 cent plus 5% of 2 cents) \$2,688,810
- Pavement Maintenance Program-(45% of 1 cent) \$1,861,484
- ASAP-COAR (75% of 95% of 2 cents) \$5,894,699
- ASAP-SOAR (25% of 95% of 2 cents) \$1,964,900

This is based on the April 2026 ODOT Jet Fuel revenue forecast which estimates that 416,663,068 gallons of jet fuel will be sold in Oregon during 27-29.

Based on the proposed LC fuel tax splits the revenue per program for the 27-29 biennium will be as follows:

- Operations-(55% of 1 cent plus 5% of 2 cents plus 50% of 95% of 2 cents) **\$6,618,609 (Increase of \$3,929,799)**
- Pavement Maintenance Program-(45% of 1 cent) **\$1,861,484 (No Change)**
- ASAP-COAR (25% of 95% of 2 cents) **\$1,964,900 (Decrease of \$3,929,799)**
- ASAP-SOAR (25% of 95% of 2 cents) **\$1,964,900 (No Change)**

A more simplified way to look at this concept is to look only at the change of the 2 cents fuel tax (after the 5% held for admin) that currently goes to the ASAP program. The chart below shows the current fuel tax as compared to the proposal in this LC.

Current		Proposed	
Split	27-29 Rev.	Split	27-29 Rev.
COAR-75%	\$ 5,894,699	COAR-25%	1,964,900
SOAR-25%	\$ 1,964,900	SOAR-25%	1,964,900
		OPS 50%	3,929,799
TOTAL	\$ 7,859,599		7,859,599

In summary this amendment will decrease \$3,929,799 from COAR and increase \$3,929,799 for ODAV operations for the 27-29 biennium.

Note: The ODAV Revenue shortfall is about \$3M. The first \$3M will restore the agency budget and provide 3 months of operating cash balance. The additional \$929,799 will increase the operating ending balance to approximately 6 months.

Staff Recommendation: Staff recommend the State Aviation Board approve the proposed Jet Fuel Tax Split Legislative Concept.

Next Steps: If this concept is approved by the board next it will be drafted by the legislative council. The agency will have the opportunity to make changes during drafting. Then it will be introduced as a bill during the 2027 legislative session. This bill may be pulled if another bill passes that eliminates the operations revenue shortfall. If passed the bill will be included in ODAV's 27-29 LAB. The board will vote on the LAB in the summer of 2027.

There will be time for discussion and questions before the board votes.

Thank you,

Kristen Forest