

405 - Department of Transportation Capital Project Request

2025-27 Biennium

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Version: FC 2025-27 WSDOT Capital Budget

Report Number: CBS002

Date Run: 9/20/2024 6:39AM

Project Number: 40000004

Project Title: 2025-27 CARB Loans

Description

Starting Fiscal Year: 2026

Project Class: Grant

Agency Priority: 0

Project Summary

When the Community Aviation Revitalization Board (CARB) revolving loan program was created in 2019 and codified in 2021, the intent was to establish a self-sustaining loan program. A self-sustaining program would need \$25 million in initial capital funding to create a sufficient fund balance to allow the revolving loan function to operate. To date, \$15 million in capital funding has been provided. Loan agreements and administrative program costs are likely to be fully obligated by the end of the 2023-25 biennium. This proposal requests an additional \$5 million in capital funding for the 2025-27 biennium to continue the loan program. Lack of additional funding will not allow the program to award new loans in 2025-27 and the CARB's activities would be suspended until sufficient existing funds are repaid. With loan terms up to 20 years including an optional three-year deferral period, funds from loan repayments are not projected to be adequate to create a self-sustaining program until the 2029-31 biennium.

Project Description

What is the problem/opportunity?

In May 2019, the Community Aviation Revitalization Board (CARB) loan program was created through the capital budget Chapter 413, Laws of 2019, (section 4005) and funded with \$5 million. Due to the program's success, in May 2021, the CARB loan program was made permanent and funded with another \$5 million (SHB 1080, Chapter 332, Laws of 2021, Section 4004).

For the last three biennia, the CARB loan program has been capitalized by three \$5 million fund transfers from the Public Works Assistance Account (058) in the non-transportation capital budget, totaling \$15 million transferred into the Public Use General Aviation Loan Revolving Account (22L). The existing funding in the Public Use General Aviation Airport Loan Revolving Account is anticipated to be fully obligated to airport-awarded loans by the end of December 2024, and funds withheld for the Board and program administrative expenses will be exhausted by June 30, 2025. With loan recipients having up to 20 years to repay the funds, funding will be insufficient for the program to continue in 2025-27. Lack of additional funding will stop the program from awarding new loans in the near term and the Board will discontinue functioning until sufficient existing funds are repaid.

What will the request produce?

WSDOT's Aviation Division's financial projections of the revolving loan program indicates an overall program fund balance of \$25 million is needed to allow the revolving loan program to work as intended. This projection factors funding installments of \$5 million per biennium, investment income from account 22L in the custody of the Office of State Treasurer (OST), interest earned on loans disbursed, and 20-year repayment schedules. WSDOT requests an additional \$5 million in capital funding for the 2025-27 biennium to continue the popular and effective loan program.

The revolving loan program was designed to provide low-interest loans to airports for revenue-producing projects that will help them become more self-sustaining and less reliant on state and federal funding. The state of Washington has 132 airports open to the public for general aviation activities. Available capital funding for the non-commercial service airports is extremely limited. Federal grants are limited to 64 National Plan of Integrated Airport Systems (NPIAS) designated airports and restricts funding for revenue-producing projects such as hangars. State grant funding averages \$1.3 million - \$1.4 million annually with 55% of the funds targeting smaller, non-NPIAS airports. Considering the high cost of capital projects, this translates to minimal support for the state airport system. The CARB loan program was designed to help address this situation and has proven to be very popular and successful in delivering capital projects that help state, public-use, airports become more sustainable.

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Description

To date, the loan program has received 53 applications totaling \$36.9 million. The eight-person Board has awarded loans for 23 projects totaling \$13.3 million. \$1.2 in unobligated funds is anticipated to be awarded during the December 2024 CARB meeting. The remaining funds is allocated for program administration. There is an ongoing need for a full-time position (FTE) to support this program as set out in SB 5031, Section 2 (3) "Management services, including fiscal and contract services, must be provided by the department of transportation to assist the board in implementing this chapter." The Aviation Division does not currently have the funding to support this FTE outside the loan program.

Due to pandemic-related delays in construction, \$8.7 million in loans was disbursed to date. \$2.7 million in additional loan disbursements are anticipated by June 30, 2025. The remaining obligated \$1.9 million and the \$1.2 million in unobligated funds are both projected to be fully disbursed by June 30, 2027. Currently, 52% of the projects (12 out of 23) have been completed with an additional six projects (78%) to be completed by January 2025. Eight of the completed projects have started making loan repayments. Funded projects have included leasable hangars and buildings, fueling facilities, and capital infrastructure that enhances revenue and promotes economic growth that support the airport's sustainability.

Legislation allows loan repayment terms for up to 20 years including an optional three-year deferral period. Loan repayments are projected to total \$801,514 by June 30, 2025. These funds will be insufficient to make the maximum award of \$1.2 million. Since awards have averaged over \$602,656 per loan to date, this would effectively allow one new loan without additional capital funding being secured. While loan repayments will substantially increase over time as projects are completed and any repayment deferral periods are satisfied, it is likely two biennia would pass before another call for projects can be made.

Examples of recent projects related to resiliency and disaster response include:

- The Chewelah Municipal Airport completed a CARB-funded fueling facility to support wildfire-fighting aircraft.
- Colville Municipal Airport has completed a similar fueling project to support DNR firefighting helicopters and medivac helicopters.
- CARB loan recipients, Sequim Valley Airport, Wm. R Fairchild (Port Angeles), SW Washington Regional Airport (Kelso) and Bremerton National Airport participated in Disaster Airlift Response Team (DART) activities and training.

Many airports participated of the Washington State Cascadia Rising 2022 (CR22) exercise in June 2022. Airports played a vital role in providing relief assistance with evacuations, medical emergency response, and food and fuel supply. The CR22 exercise highlighted the need for fuel and food provided by aircraft since many roads, bridges, and rail lines were disrupted and inoperative.

What would be the result of not taking action?

Not funding this proposal would prevent the Board from awarding any new loans for four years, and to maintain compliance with the loan program, the cost of administering existing loans (contracting, accounting, compliance) would likely negatively impact Aviation Division's performance on other activities. The Aviation Division does not currently have the appropriation available to support CARB program administration. If the Aviation Division were to continue administering the accounting, contract, and compliance parts of the program without specific funding, it would have to reduce other activities such as postponing planned projects and maintenance activities at the state-managed airports. These reductions would impact activities funded in the Transportation Budget approved by the Transportation Committees of the Legislature and funded by the Aeronautics Account-State.

Without new loan opportunities, smaller, rural public use airports would miss opportunities to leverage revenue-producing projects, including leasable hangars, fueling facilities, and infrastructure to promote economic growth and support disaster response. These opportunities make airports more self-sustainable and less reliant on public funds and subject to potential

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Project Number: 40000004

Project Title: 2025-27 CARB Loans

Description

closure. Local, public-use airports provide emergency medical response services, multimodal access, recreational activities, disaster relief, agriculture support, wildfire-fighting response, and other economic opportunities to the public.

What alternatives were explored?

One alternative would be to introduce new legislation identifying a dedicated funding source or revenue for the program, rather than relying on the Public Works Assistance Account. However, given the recent passage of new transportation revenue through the Move Ahead Washington package during the 2022 legislative session, support for additional new aviation revenue may be challenging.

Another alternative was to request less funding than \$5 million in the 2025-27 biennium. However, to be a self-sustaining program, \$25 million is needed, and \$5 million per biennium covers near-term needs, while building out the program for self-sufficiency. This option is recommended because it aligns better with the legislative intent.

Which clientele would be impacted by the budget request?

Most airports are owned and operated by municipalities, counties, and ports, who are supportive of the program. To date, the CARB loans have been awarded to the following 19 intergovernmental entities and one (1) nongovernmental entity:

- Cities– 8
- Counties– 4
- Ports– 7

All loan offers were accepted by resolution via the governing body.

Does this project or program leverage non-state funding?

There is no match requirement; however, several applications and awarded projects provided federal and/or local funds.

Describe how this project supports the agency's strategic master plan or improve agency performance?

Strategic Framework

Governor's Results Washington Goal Areas

This proposal directly contributes to the Governor's Results Washington goal areas, "prosperous economy," and "healthy and safe communities." General public use airports provide emergency medical transportation, disaster relief by providing emergency supplies and evacuation, and support wildfire response and economic opportunities through business, agriculture, and recreational activities.

The revolving loan program provides funding for capital projects that make these airports more sustainable and resilient. When the CARB loan program reaches maturity, it will become a self-sustaining funding source that is transparent and accountable to the citizens and residents of Washington State, also meeting the goal of "efficient, effective, and accountable government".

WSDOT's Strategic Plan Goals

This decision package applies to the following WSDOT Strategic Plan Goals of Diversity, Equity, and Inclusion; and Resilience

The main goal of the CARB loan program is to provide funding for revenue-producing capital projects that assist public-use, state airports so that they become more sustainable and less reliant on public funding. Functional airports support the WSDOT goal of resilience in case of disasters.

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Description

Enterprise Risk Management

This decision package mitigates the risk of Aging Airport Infrastructure identified in WSDOT's Enterprise Risk Register (DES risk 405-00035, WSDOT risk 25). The Enterprise Risk Register is required to be submitted by agencies to OFM annually. This request directly mitigates some of that risk by providing loans that can be used to develop general aviation hangars at airports.

Performance outcomes

The CARB loan program has awarded 23 projects to date. Projects have included hangars, fueling facilities, airport utilities infrastructure, hangar site development, an aviation workforce training center, and a multipurpose facility comprised of a large hangar, pilots lounge with restrooms, office, and a restaurant.

Does this project include IT costs?

No.

If the project is linked to the Puget Sound Action Agenda, describe the impacts.

N/A

How does this project contribute to meeting the greenhouse gas emissions limits established in RCW 70A.45.050, Clean Buildings performance standards in RCW 19.27A.210, or other statewide goals to reduce carbon pollution and/or improve efficiency?

WSDOT Aviation Division requires all loan applications to submit a greenhouse gas emissions policy.

How is your proposal impacting equity in the state?

Current federal and state funding sources target and favor larger commercial and regional airports in the state. As stated above, only FAA classified NPIAS airports are eligible for federal grants leaving non-NPIAS airports ineligible for federal funding. Hence, smaller, rural, general aviation airports open to the public have few funding opportunities.

The CARB Loan program funds all public-use, general aviation airports with less than 75,000 commercial enplanements. The program targets revenue-producing capital projects that assist these airports to be more self-sustainable that are not eligible for federal funding. Demographically, rural, and agricultural areas of the state frequently serve elderly, low income, and minority populations (<https://www.ruralhealthinfo.org/states/washingtSon>). These small, rural airports provide equitable freight and passenger services to remote areas of the state that otherwise would not be available including vital medical emergency transportation and disaster relief services. Since many rural areas do not have critical medical facilities, local airports are a lifeline in cases of medical emergencies and natural disasters. Many also serve as operational bases for fighting state wildfires. Small, rural airports also provide essential agricultural crop services necessary to cultivate crops and support economic trade in our state and is the major economic driver that supports rural agricultural communities.

Is there additional information you would like decision makers to know when evaluating this request?

Proviso

Requested funding is in the Public Works Assistance Account (058). However, please see below the budget appropriation language in the 2021-23 biennium regarding its proviso related to Public Use General Aviation Airport Loan Revolving Account (22L), SHB 1080.SL, p. 246:

NEW SECTION. Sec. 4004. FOR THE DEPARTMENT OF TRANSPORTATION
 2021-23 Aviation Revitalization Loans (40000002)

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Project Title: 2025-27 CARB Loans

Description

The appropriation in this section is subject to the following conditions and limitations: The appropriation in this section must be deposited in the public use general aviation airport loan revolving account.

Appropriation:

Public Works Assistance Account-State \$5,000,000

Prior Biennia (Expenditures) \$0

Location

City: Statewide

County: Statewide

Legislative District: 098

Project Type

Grants

Grant Recipient Organization: Airport sponsors (ports, counties, and cities)

RCW that establishes grant: RCW 47.68; Amends RCW 43.79A

Application process used

Airport sponsors apply using a CARB approved application with required project attachments. WSDOT reviews to ensure the projects are eligible for funding. Applications are scored based upon Legislatively mandated requirements and presented to the Board for consideration. The Board selects projects for funding based upon the project meeting program requirements.

Growth Management impacts

Every airport is included in the local jurisdiction's growth management act and is classified as an essential public facility.

Funding

Acct Code	Account Title	Estimated Total	Expenditures		2025-27 Fiscal Period	
			Prior Biennium	Current Biennium	Reapprops	New Approps
058-1	Public Works Assist-State	10,000,000				5,000,000
	Total	10,000,000	0	0	0	5,000,000
			Future Fiscal Periods			
		<u>2027-29</u>	<u>2029-31</u>	<u>2031-33</u>	<u>2033-35</u>	
058-1	Public Works Assist-State	5,000,000				
	Total	5,000,000	0	0	0	

Operating Impacts

No Operating Impact

Narrative

A portion of this funding or up to 5% will be used to administer the program.

**405 - Department of Transportation
Ten Year Capital Plan by Project Class**

2025-27 Biennium

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Report Number: CBS001

Date Run: 9/20/2024 6:46AM

Project Class: Grant

Agency Priority	Project by Account-EA Type	Estimated Total	Prior Expenditures	Current Expenditures	Reapprop 2025-27	New Approp 2025-27	Estimated 2027-29	Estimated 2029-31	Estimated 2031-33	Estimated 2033-35
0	40000004 2025-27 CARB Loans									
	058-1 Public Works Assist-State	10,000,000				5,000,000	5,000,000			

Total Account Summary

Account-Expenditure Authority Type	Estimated Total	Prior Expenditures	Current Expenditures	Reapprop 2025-27	New Approp 2025-27	Estimated 2027-29	Estimated 2029-31	Estimated 2031-33	Estimated 2033-35
058-1 Public Works Assist-State	10,000,000				5,000,000	5,000,000			

WSDOT – Aviation
Review Documentation from DAHP and GOIA
2023-2025 Biennium

Per Executive Order 21-02, agencies shall consult with Department of Archeological and Historic Preservation (DAHP) and affected tribes on the potential effects of projects on cultural resources proposed in state-funded construction or acquisition projects that will not undergo Section 106 review under the National Historic Preservation Act of 1966 (Section 106), including grant or pass-through funding that culminates in construction or land acquisitions, to determine potential effects to cultural resources.

WSDOT – Aviation Division’s Community Aviation Revitalization Board (CARB) loan program provides airport sponsors consisting of ports, counties, cities, and non-governmental entities funding for capital construction and land acquisition projects in Washington state. Therefore, DAHP requirements are contained in the CARB Loan Agreement Section 26 and Exhibit D – Airport Loan Program Assurances, reproduced below:

Section 26

Environmental Protections and Archeological Preservation

The CONTRACTOR agrees to comply with all applicable requirements of chapter 43.21C RCW “State Environmental Policy Act” (SEPA). The CONTRACTOR also agrees to comply with all applicable requirements of Executive Order 21-02, Archeological and Cultural Resources, for all capital construction projects or land acquisitions for the purpose of a capital construction project, not undergoing Section 106 review under the National Historic Preservation Act of 1966 (Section 106).

Exhibit D – Airport Loan Program Assurances

Page 2(1)(b), for all awarded projects:

Sponsor certification.

The sponsor certifies, with respect to this loan that:

(1) General state requirements. It will comply with all applicable Washington state laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance, and use of state funds for this project including, but not limited to, the following:

(b) Executive Orders: Governor's Executive Order 21-02 (Archeological and Cultural Resources) superseding Executive Order 05-05.