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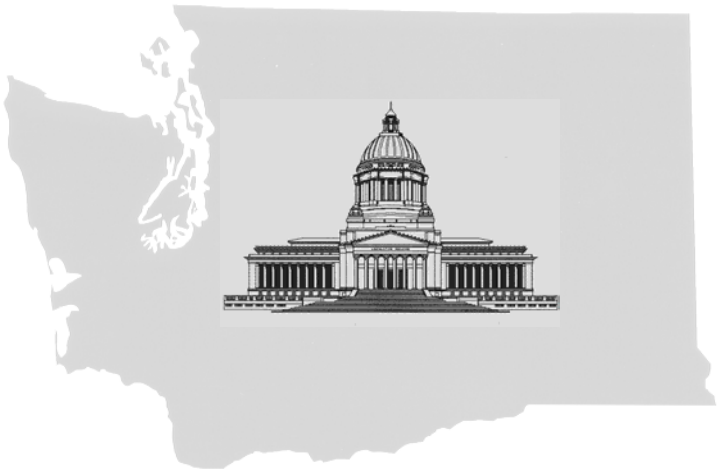

Department of Transportation
Aviation Division Study

Report 02-6

August 7, 2002

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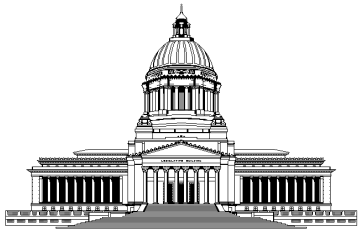
JLARC staff, under the direction of the Committee and the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews and other policy and fiscal studies. These studies assess the efficiency and effectiveness of agency operations, impacts and outcomes of state programs, and levels of compliance with legislative direction and intent. The Committee makes recommendations to improve state government performance and to correct problems it identifies. The Committee also follows up on these recommendations to determine how they have been implemented. JLARC has, in recent years, received national recognition for a number of its major studies.

DEPARTMENT OF TRANSPORTATION AVIATION DIVISION STUDY

REPORT 02-6

REPORT DIGEST

AUGUST 7, 2002



STATE OF WASHINGTON

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Overview

This mandated study examines the advantages and disadvantages of removing the Aviation Division from the Washington State Department of Transportation (WSDOT), and creating a separate Department of Aviation. Our conclusion is that general aviation interests within the state can best be served by keeping the Aviation Division within WSDOT. We do, however, acknowledge the concerns raised by stakeholders, and include recommendations to address those concerns.

Background

Historically, the Aviation Division has primarily been responsible for *general* aviation, which basically includes all aviation *other* than military and commercial aviation. Its key responsibilities include: 1) administering a Local Airport Aid Grant Program; 2) aviation planning; 3) coordinating air search and rescue missions; 4) aircraft and pilot registration; and 5) maintaining 16 state-owned airports (used primarily for recreational and emergency landing purposes).

The Division's budget for the current biennium is $5.5 million, and it is budgeted for 11 FTEs. It receives no state general funds, but instead is supported by its own dedicated funding sources, with the primary source being an aviation fuel tax.

The Division has been in a period of transition over the past few years. Internal WSDOT investigations have led to formal disciplinary actions against at least three former staff, and audits have identified problems related to the Division's purchasing practices and management of its Airport Aid Grant Program; problems which are now being addressed. A new Secretary of Transportation assumed office in April 2001, and a new Aviation Director came on board in February 2002.

Customer Perspectives on How Well the Division Is Doing

The Division appears to be viewed in a generally positive light by its customers – principally pilots and airport representatives – in terms of how it is fulfilling its key responsibilities. Based on surveys conducted, a strong majority feel it has been at least somewhat effective in meeting the *overall* needs of the state's general aviation pilots and airports. When it comes to specific programs, the Division receives even higher marks.

There is, however, an undercurrent of dissatisfaction in the general aviation community over certain recent decisions – such

as the relocation of the Division's offices from Seattle to Arlington – as well as concern over the Division's perceived ability to advocate effectively for aviation issues. A plurality of those responding to our surveys favored removing the Division from WSDOT.

Reasons for Keeping the Division within WSDOT

The various reasons listed below were identified primarily through interviews with WSDOT staff and correspondence received from WSDOT and the Office of Financial Management.

- Active WSDOT and executive branch support;
- More efficient statewide governance structure;
- Existing structure benefits multi-modal transportation planning;
- Reliance on WSDOT administrative services saves the Division money;
- Ability to take advantage of WSDOT professional services and regional structure; and
- Consistency with organizational structure in most other jurisdictions.

Reasons Advanced for Creating a Separate Department

The various reasons listed below were identified through interviews, focus groups and surveys.

- Visibility and influence diminished by placement in agency primarily devoted to other issues;
- WSDOT structure and requirements further limit effectiveness;
- Inefficiencies and higher costs from overly bureaucratic procedures;
- Significant concerns among some stakeholders that certain decisions do not reflect their views;
- No formal mechanism for providing customer input; and
- Oregon recently made its aviation program a separate department.

Financial Impact of Operating as a Separate Department

The Aviation Division receives a broad range of administrative and other services from WSDOT, many of which are provided at minimal or no cost. If it were to become an independent department, it would either have to carry out these functions in-house or contract with WSDOT or another state agency for these services. We estimate the biennial costs of these services to be approximately $227,000. In addition, we assume since all other states with independent departments of aviation have an associated board or commission, Washington would do the same. We estimate the cost associated with that to be approximately $56,000 per biennium. Because the funds necessary to cover these additional costs would have to come from the Division's dedicated funding sources, the Division's other programs would have to be reduced accordingly.

Conclusion

This report concludes that general aviation interests within the state can best be served by keeping the Aviation Division within WSDOT, with the cost factor cited above being the most compelling reason. We do, however, acknowledge concerns raised by stakeholders, and recognize that there is some degree of dissatisfaction within the aviation community.

Recommendations

1) The Aviation Division should remain within WSDOT. 2) WSDOT should review options for creating an Aviation Advisory Committee, and report their proposed actions to the appropriate legislative committees by December 1, 2002. 3) The Division should annually survey its customers to obtain input and assess their level of satisfaction.

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CHAPTER 1 – BACKGROUND

STUDY MANDATE

This study responds to a provision in the 2001-03 Current Law Transportation Budget[1] that directs the Joint Legislative Audit and Review Committee (JLARC) to, in part:

> *conduct a performance audit to evaluate the advantages and disadvantages of removing the aviation division from the department of transportation and creating a Washington state department of aviation. At a minimum the evaluation must include . . . a survey of aviation division customers to determine whether the current aviation division meets the needs of those customers . . .* [2]

THE AVIATION DIVISION

Brief History

A Washington State Aeronautics Commission was established in 1947, and operated as an independent entity until 1977. At that time the Commission was dissolved, and its staff and duties were consolidated – along with the Departments of Highways and Ferries, and the Toll Bridge Authority – into the newly created Department of Transportation. It was known as the Aeronautics Division until the mid-1990s, when its name was changed to the Aviation Division.

General Responsibilities

Historically, the Aviation Division has primarily been responsible for *general* aviation, which basically includes all aviation *other* than military and commercial aviation (with commercial aviation referring to the regularly scheduled transport of passengers). Though sometimes thought of just in terms of recreational flying, general aviation also plays a major role in such areas as business and commerce, agriculture, and both the transport of medicine and provision of Medevac (air ambulance) services.[3]

Major areas of responsibility for the Aviation Division include the following:

> **Local Airport Aid Grant Program**: This is perhaps the Aviation Division's key program, from both a budgetary and programmatic perspective. Within the state there are 129 public-use airports. Most of these are small airports – in some cases, very small – that are owned by cities, counties and port districts. The Division awards grants to local jurisdictions for airport preservation, maintenance and improvement projects, with specific examples including

[1] Chapter 14, Laws of 2001, 2nd Special Session, Section 605.
[2] See Appendix 4 for the full wording of the mandate language.
[3] Preliminary findings of the **2001 Aviation Forecast and Economic Analysis Study,** conducted by Bucher Willis and Ratliff Corporation under contract to the Aviation Division, found that general aviation airports within the state were responsible for generating approximately $500 million in total sales output. A draft report of a second study, *Determining Infrastructure Needs for Rural Mobility* (prepared for the Aviation Division by Jon Newkirk and Ken Casavant of the Department of Agricultural Economics, Washington State University), noted that rural general aviation airports are often viewed by local officials and residents as an "essential public facility" and part of the basic infrastructure that is required for the health, safety and economic well-being of residents. Airports are also defined as an essential public facility under the state's Growth Management Act (RCW 36.70A.200).

things like runway paving, lighting and navigational aids. Grants may also be used as a "local match" for larger projects funded through the Federal Aviation Administration.

Individual grants may range in size from as little as $500, up to $100,000 or more. In FY 2001, the Aviation Division issued grants to 21 airports, totaling $1.3 million (the largest amount ever in a single year). Most grants are issued to small airports. Larger airports with regularly scheduled passenger service – including those in Seattle, Spokane, Yakima, Bellingham, Port Angeles and Walla Walla – qualify for additional Federal Aviation Administration funding, and so typically do not receive grants through the Aviation Division.

Aviation Planning: The Division is responsible for developing a state aviation *system* plan that looks at such things as airport inventories, forecasts of future activity levels, and identification of future capital improvement needs. It also is statutorily directed to provide technical assistance to local communities in the area of land use planning as it pertains to protecting airports from encroachment by precluding the siting of incompatible land uses near those airports.

Air Search and Rescue: Pursuant to statute, the Aviation Division coordinates all air search and rescue efforts for general aviation aircraft within the state that are overdue, missing or presumed down. The Division is also responsible for search activities involving electronic emergency signaling devices. Within this same program area, the Division also provides a safety and education function, which includes providing a mountain flying clinic and flight instructor training.

Pilot and Aircraft Registration: These statutory registration programs are not regulatory in nature, but instead relate to tax and fee collection. (The Federal Aviation Administration is responsible for *licensing* pilots and aircraft.)

State-Owned Airports: The Division maintains 16 state-owned airports throughout the state. Most of these are quite small – some are no more than grass airstrips – that are intended for both recreational and emergency landing purposes.

Budget, Staffing and Funding

The Aviation Division's budget for the 2001-2003 biennium is $5.7 million, including $5.5 million state and $0.2 million federal funds. It is budgeted for 11 FTEs. Figure 1 on the following page shows the Division's budget by program and funding source. Note that the Aviation Division receives no state general funds, but instead is supported by its own dedicated funding sources – the Aeronautics Account and the Aircraft Search and Rescue Safety and Education Account.

- The Aeronautics Account is by far the larger of the two accounts, with revenues of $3.8 million in the current biennium. Its main source of revenue – 95 percent, or $3.5 million – is the aviation fuel excise tax imposed on fuel used by general aviation (but not commercial) aircraft.[4] The current tax rate is 7.5 cents per gallon. (Note that a sales tax is also imposed on aviation fuel with revenues from this tax deposited in the General Fund.[5])

[4] A 2000 study on tax exemptions by the Department of Revenue estimated that the exemption of commercial aircraft and other miscellaneous users from the aviation fuel excise tax cost $67.9 million during the 2001-03 biennium.

[5] Aviation Division staff indicate that a 1998 planning study estimated that the amount of sales tax on fuel paid by general aviation aircraft users – that went to the general fund – was between $8 and $9 million annually.

Figure 1
Aviation Division Budget By Program and Funding Source
2001-2003 Biennium[6]

Aviation Division Program	Funding Source				Total
	State			Federal	
	Aeronautics Account	Search and Rescue	Total State	Aeronautics Account	
Aviation Management & Support	$ 1,514,722		$ 1,514,722		$ 1,514,722
Local Airport Aid Grant Program	$ 2,924,300		$ 2,924,300		$ 2,924,300
State-Owned Airports	$ 278,900		$ 278,900		$ 278,900
Air Search and Rescue		$ 160,163	$ 160,163		$ 160,163
Aviation Planning	$ 661,200		$ 661,200	$ 225,000	$ 886,200
Total	**$ 5,379,122**	**$ 160,163**	**$ 5,539,285**	**$ 225,000**	**$ 5,764,285**

Other sources of revenue for the Aeronautics account include an $8 aircraft registration fee, and 10 percent of an aircraft excise tax that ranges from $50 to $125 per year depending on the type of craft (with the remaining 90 percent going to the General Fund). Finally, the Aeronautics Account is also the repository for federal aviation funds received by the state for specific planning studies ($225,000 in 2001-03). Funds from the Aeronautics Account are used for all activities of the Aviation Division, except those funded exclusively through the Account referenced below.

- The Aircraft Search and Rescue Safety and Education Account is funded by an $8 pilot registration fee. Projected revenue for the 2001-2003 biennium is $144,000. These funds are used exclusively for search and rescue operations, and pilot education programs.

Organizational Placement and Geographic Location

With 11 FTEs, the Aviation Division is a small organizational entity within the 6,500 plus employee Washington State Department of Transportation. Figure 2 on the following page shows where the Division fits into WSDOT's overall organizational structure.

Though not titled as such on the chart, there are four major divisions within WSDOT: Engineering and Regional Operations, Northwest Washington, Washington State Ferries, and Administration and Support (which has been re-named Finance and Administration). Each of these major divisions is headed by an individual who reports directly to the Secretary of Transportation, who in turn reports to the Transportation Commission.

The Aviation Division is housed among a number of other divisions, sections and offices that report to the Secretary of Transportation's Chief of Staff, including: 1) Highways and Local Programs, 2) Public Transportation and Rail (which includes separate entities for Rail, Transit and other programs), 3) Transportation Economic Partnerships (TEP), and 4) Freight Strategy and Policy.

[6] 2001-03 budgeted resources from both the Aeronautics and Search and Rescue Accounts exceed estimated revenues for the 2001-03 biennium. This is possible because both are dedicated accounts which began the 2001-03 biennium with surpluses from the previous biennium.

Geographically, the Aviation Division has always been physically separated from the Olympia headquarters office of WSDOT, being housed at the King County International Airport (Boeing Field) in Seattle, approximately 60 miles north of Olympia. In January 2002, the WSDOT Secretary announced that the Division would move its offices to a site in Snohomish County. The site was later identified as being in a business development collocated with several other state agency offices, within one mile of the Arlington Municipal Airport, approximately 100 miles north of Olympia.

The stated reasons for the move were that the Division would have to be leaving its current office space in the spring of 2002 anyway, due to Boeing Field development activities, and that Snohomish County offered "attractive leasing options . . . along with a large and active pilot community, and diverse general aviation activities." As will be discussed in a later section of this report, the move of the Division's offices to Arlington has been a source of controversy within some quarters of the state's general aviation community.

Recent Events Affecting the Aviation Division

The Aviation Division has experienced a number of internal disturbances over the past few years. Investigations conducted by WSDOT since 1999 have led to formal disciplinary actions against at least three staff. Internal WSDOT audits have documented problems related to the Division's past purchasing and contracting practices, and identified concerns related to past management of the Local Airport Aid Grant Program. There have been numerous staff changes, including the departure of the former Director and Aeronautics Program Manager.

A new Secretary of Transportation assumed office in April 2001, and a new Aviation Director came on board in February 2002. The Division is currently in the process of making changes to some of its processes and key programs to address areas of concern identified in past audits and investigative reports. In light of these events, the Aviation Division has been, and continues to be, in a state of transition.

AVIATION AGENCIES IN OTHER STATES

All states have some type of division or entity responsible for aviation or aeronautics. Forty-three states have theirs as part of transportation agencies, while seven states have an independent aviation department: Arkansas, Nebraska, North Dakota, Oklahoma, Oregon, Rhode Island, and Virginia. The aviation agency in Oklahoma became independent as of July 2002, after having previously been part of that state's Department of Transportation.

In Oregon, the aeronautics office was removed from the state department of transportation and established as an independent department in July 2000, following legislation passed in 1999. This event was noted by many in Washington's general aviation community, and can be considered as one of the factors that led to this study. The experience of Oregon in this area, and its potential applicability to Washington, is discussed later in this report.

The move to an independent agency in Oregon, and more recently Oklahoma, should not necessarily be viewed as evidence of a national trend in this direction. Within the last two to three years, the previously independent aviation agency in Alabama was folded into that state's department of transportation, at the request of the aviation agency's director.

There are many differences among state aviation agencies in such areas as size, organizational structure, funding and responsibilities. As part of this study, JLARC engaged a contractor to conduct a comparative analysis of state aviation agencies in these areas. Key findings from this analysis include:

- All seven states with independent departments have some type of aviation board or commission. Five additional states, where the aviation agency is located within a department of transportation, also have an aviation board or commission.
- On a per capita basis, state revenues directed to aviation ranged from $0.01 to $300. At $0.35 per capita, Washington ranked 45th among the states in this category.
- Unlike Washington, more than half of the states use some general funds or highway revenues to fund aviation activities.
- Washington's Aviation Division provides a broader range of services and programs than most state aviation agencies.

REPORT FORMAT

The balance of this report consists of the following chapters:

- **Chapter 2**: Perspectives from Aviation Division Customers
- **Chapter 3**: Aviation Division within WSDOT or a Separate Agency?
- **Chapter 4**: Financial Impact of Creating a Separate Agency
- **Chapter 5**: Concluding Discussion and Recommendations

CHAPTER 2 – PERSPECTIVES FROM AVIATION DIVISION CUSTOMERS

INTRODUCTION

Part of JLARC's study mandate required *a survey of aviation division customers to determine whether the current aviation division meets the needs of those customers*. This chapter focuses on how the Aviation Division is viewed by its customers in terms of fulfilling some of its key responsibilities. Other customer perspectives, including general concerns and views on the issue of potential independence for the Division, are addressed in a later section of this report.

Two principal "customers" of the Aviation Division are registered pilots and airports.[7] Customer input was gathered through numerous interviews and conversations, a series of three focus groups held with registered pilots and one with airport managers, and two surveys: 1) one directed to 10 percent of the state's registered pilots, and 2) a second directed to airport managers (or key contacts). In total, the pilot survey generated 271 responses (a response rate of 31 percent), and the airport survey generated 42 responses (a response rate of 51 percent[8]).

As it relates to how the Aviation Division is perceived as fulfilling its key responsibilities, the qualitative input received from interview and focus group sources was generally consistent with that received through the surveys. Thus, this chapter is limited to reporting the survey results. These results do represent an important measure of customer perceptions, but because of the survey response rates, they cannot be viewed as a complete reflection of pilot and airport manager sentiment.

PILOT PERCEPTIONS

Overall Familiarity with the Division: A majority of those responding were at least somewhat familiar with the Division, and the programs and service it provides: 6 percent were *very familiar*, 57 percent were *somewhat familiar*; 30 percent were *not very familiar*, and 7 percent were *not at all familiar*.

Overall Effectiveness in Meeting the Needs of General Aviation Pilots: A strong majority of responding pilots felt that the Aviation Division had been at least somewhat effective in meeting the needs of general aviation pilots within Washington: 25 percent said it was *very effective*, 62 percent said it was *somewhat effective*, 10 percent said it was *not very effective*, and 3 percent said it was *not at all effective*.

Effectiveness In Specific Program Areas: Pilots were asked to rate the quality of services provided by the Aviation Division in a number of different programs areas. As shown in Figure 3, page 8, a majority rated the services provided either as excellent or good for each area.

[7] These were viewed as the most immediate customer groups. On a more global level, other entities that can be viewed as Aviation Division customers include the Department of Transportation and other state agencies, the Federal Aviation Administration, local planning agencies, and the general public.

[8] Because the Airport Survey was an e-mail survey, it was limited to those airports for which an e-mail address was available. Surveys were successfully sent to 83 airports. E-mail addresses were not available for 30 airports, 17 of which are owned by private interests, and 13 of which are owned by cities, counties or port districts.

Figure 3
Perceived Quality of Services Provided by the Aviation Division in Specific Program Areas Related to Pilots

Service or Program Area	Percentage of Respondents Rating Services As Excellent or Good
Search and Rescue	67%
Pilot Training & Education	57%
Maintenance of State-Owned Airports	53%
Pilot and Aircraft Registration	75%
General Customer Assistance	51%

Source: JLARC Survey.

AIRPORT MANAGER/CONTACT PERSPECTIVES

Overall Familiarity with the Division: Far more so than pilots, most airport survey respondents were at least somewhat familiar with the Division, and the programs and services it provides: 38 percent were *very familiar*, 45 percent were *somewhat familiar,* 17 percent were *not very familiar*, and none reported being *not at all familiar*.

Overall Effectiveness in Meeting the Needs of General Aviation Airports: An important qualifier was added to this question in the survey of Airport Managers/Contacts. The full question was: *Overall, how effective do you think the Aviation Division has been in meeting the needs of general aviation airports within Washington (taking into consideration the amount of financial resources the Division has had to work with)?*

A very strong majority of those who responded felt that the Aviation Division had been at least somewhat effective in this regard: 39 percent said it had been *very effective*, 46 percent said it was *somewhat effective*, and only 5 percent said it was either *not very* or *not at all effective*. Ten percent had no opinion.

Effectiveness In Specific Program Areas: Figure 4 shows the survey results for the three program areas and services that are most applicable to airports. In each area, the Division receives high marks.

Figure 4
Perceived Quality of Services Provided by the Aviation Division in Specific Program Areas Related to Airports

Service or Program Area	Percentage of Respondents Rating Services As Excellent or Good
Airport Grant and Aid Program	75%
Land Use Planning / Tech. Assistance	65%
General Customer Assistance	73%

Source: JLARC Survey.

A number of respondents provided narrative comments to expand upon their formal survey response (proportionately more so than among those responding to the pilot survey). Most such comments received were very positive towards the Division, particularly in regards to the Airport Grant and Aid Program, and the Land Use Planning/Technical Assistance Program.

DISCUSSION

As evidenced by the survey results presented above, as well as input received through interviews and focus groups, the Aviation Division appears to be viewed in a generally positive light by its customers in terms of how it is fulfilling its key responsibilities. A strong majority believe it has been at least somewhat effective in meeting the *overall* needs of the state's general aviation pilots and airports. When it comes to specific programs, the Division receives even higher marks. This is the case for both customer groups, but particularly so among those representing the state's general aviation airports.

However, the Aviation Division has been undergoing substantial changes over the past several months (and years), and so it is not always clear *which* Aviation Division – the old one or the one in transition – is being evaluated. For example, some respondents that gave the Division high marks specifically referenced staff members who are no longer with the Division, and praised Division-provided services that may be discontinued. Conversely, some respondents that gave the Division low marks based their rating on certain past practices that are now being actively addressed by the Division. The two examples below illustrate both these types of responses.

- One respondent rated the Division's services in the area of General Customer Assistance as "excellent." The person noted that the Division's loaning of equipment "for runway maintenance has been essential to building good will in the community . . ." The Division has indicated, however, that it may stop loaning such equipment because of concerns regarding potential liability.
- Another respondent who rated the services provided relative to the Airport Grant and Aid Program as "fair" noted that "funding procedures and criteria are lacking." However, the Division is currently actively involved in the process of developing procedures and criteria in this area.

CHAPTER 3 – AVIATION DIVISION WITHIN WSDOT OR A SEPARATE AGENCY?

INTRODUCTION

This chapter outlines the major reasons identified for continuing to house the Aviation Division within the Washington State Department of Transportation (WSDOT), and the reasons advanced for creating a separate Department of Aviation. The chapter begins with a summary overview of the various reasons offered for both courses of action. The next two sections focus on those reasons in greater detail, beginning with the reasons for continuing to house the Division within WSDOT, followed by the reasons advanced for creating a separate department. The final section discusses customer perspectives on this issue.

SUMMARY OVERVIEW

Figure 5 presents an overview of the reasons offered both for keeping the Aviation Division within WSDOT, and for creating a separate Department of Aviation.

Figure 5

Summary of Reasons Advanced for Each Course of Action

Reasons for Continuing to House the Aviation Division within WSDOT
* Active WSDOT and executive branch support
* More efficient statewide governance structure
* Existing structure benefits multi-modal transportation planning
* Reliance on WSDOT administrative services saves the Aviation Division money
* Ability to take advantage of WSDOT professional services and regional structure
* Consistency with organizational structure in 43 of 50 states
Reasons Advanced for Creating A Separate Department of Aviation
* Visibility and influence diminished by placement in agency primarily devoted to other issues
* WSDOT organizational structure and requirements limits effectiveness
* Inefficiencies and higher costs from overly bureaucratic procedures
* Certain decisions do not reflect the interests of aviation customers
* No formal mechanism for providing customer input
* Oregon recently made its aviation division a separate department

REASONS FOR KEEPING THE AVIATION DIVISION WITHIN WSDOT

The various reasons listed below were identified primarily through interviews with WSDOT staff and correspondence received from WSDOT and the Office of Financial Management in response to our request for formal position statements from those agencies. Copies of their full responses are contained in Appendix 3.

Active WSDOT and Executive Branch Support

Current WSDOT management actively supports retaining the Aviation Division within their agency. Management staff report that when their administration assumed office in April 2001, and was briefed on issues related to aviation – including that a study similar to this would likely be done – they asked themselves whether they wanted to keep the Division. After examining the pros and cons, their answer was a "definite yes," for the basic reason that general aviation ***is*** part of the transportation system. (Other reasons offered by WSDOT are addressed separately below.)

The Director of the Office of Financial Management – the Governor's Budget Office – also supports keeping the Aviation Division within WSDOT for many of the reasons outlined below.

More Efficient Statewide Governance Structure

The Director of the Office of Financial Management offered the following as one of the key reasons for supporting keeping the Aviation Division within WSDOT.

> *The state's current organization[al] structure, with over 100 separate executive branch agencies, is fragmented, costly, complex, and administratively unwieldy. Most of the agencies are small, single-purpose entities but with full-blown central administrative staffs. Every reorganization study of state government since the 1950s has recommended reducing the number of small, independent entities and consolidating like functions to enhance coordinated service delivery and improve economies of scale. To separate the Aviation Division from the DOT and create a new, small agency would be an unfortunate move in the opposite direction.*

Existing Structure Benefits Multi-Modal Transportation Planning

The desirability of, and requirements for, inter-modal transportation planning are established in state law, including the Growth Management Act and statutes outlining the duties of the Transportation Commission and Department of Transportation. As stated by the Director of the Office of Financial Management:

> *The state's interests are best served when the transportation modes – providing passenger and freight movement by way of rail, water, highways, and air – are well integrated into one coherent system . . . DOT is an agency that reflects our state's pursuit of the efficiencies and effectiveness of an integrated, multi-modal transportation system. The benefits of this approach include more coordinated, strategic multi-modal policies, design, and operations, as well as more efficient delivery of administrative functions.*

Airport managers and contacts who responded to our survey also expressed the view that it is important to coordinate planning for the state's general aviation airports with the state's overall transportation plan. Sixty-four percent of respondents said such coordination is "very important," and another 29 percent said it is "somewhat important."

Reliance on WSDOT Administrative Services Saves the Aviation Division Money

WSDOT provides numerous administrative and support services to the Aviation Division at little to no cost. These include services and support related to: budgeting and accounting; personnel and human resources; management information systems; communications, graphics and

publications; telecommunications; purchasing and inventory; legislative coordination; and risk management.

The Director of Financial Management noted that the Aviation Division could not continue the level of services it currently provides without the centralized services currently provided by WSDOT, and that there is no alternative revenue source to replace the funding for these activities. He stated that: *Given the serious projected budget shortfalls facing the state, an additional small, independent agency with its own administrative staff is a luxury the state cannot afford.*

Chapter 4 of this report presents a financial analysis of the impact of removing the Aviation Division from WSDOT.

Ability to Take Advantage of WSDOT Professional Services and Regional Structure

In addition to relying on administrative services provided by WSDOT, the Aviation Division also makes use of other professional services available through the agency. Its Land Use Compatibility Program coordinates with WSDOT's Transportation Planning Office, and relies on regional planning staff to keep informed on local airport-related land-use issues. The Division has also begun to work more closely with WSDOT's professional engineering staff in such areas as performing project inspection reviews, and developing airport-related construction and design standards. The Division also intends to substantially increase their use of regional maintenance crews to provide maintenance services at the state-owned airports.

The Department of Transportation is comprised of six regions distributed across the state, with each one having a Regional Administrator and other staff to support maintenance and preservation of state facilities, and to provide for regional representation of WSDOT interests. WSDOT management believe that the regional offices serve as an effective extension of the Aviation Division, and cite an example where regional staff were instrumental in facilitating discussions among local jurisdictions and private interests that led to a request for federal funding of an Instrument Landing System for one of the state's airports. WSDOT management state that: *The efficiency and effectiveness of the Aviation division is improved through the connectivity of the regions based upon the inherent limitations of nine division employees covering the entire state aviation system.*

Additional Information: The following points are pertinent to this issue.

- WSDOT and Aviation Division staff report that, so far, the type of professional services noted above have been provided to the Aviation Division without cost. However, a decision has not yet been made as to whether such services will continue to be provided at no cost, or at a reduced rate, or on a full-cost basis.
- Twenty-two percent of airport managers/contacts who responded to our survey said they had "substantial contact" with staff from the WSDOT Regional Office in their area, and an additional 35 percent said they had "occasional contact." Only 17 percent said they had had no contact.

Consistency with Organizational Structure in Most Other Jurisdictions

The existing organizational structure in Washington is consistent with that in 43 of 50 states (as of July 2002). At the federal level, the Federal Aviation Administration is also housed within the Federal Department of Transportation.

REASONS FOR CREATING A SEPARATE DEPARTMENT OF AVIATION

The various reasons advanced for creating a separate Department of Aviation that are detailed below were identified through interviews and conversations with numerous parties, focus groups conducted with registered pilots and airport representatives, and surveys conducted of those same two customer groups. Unlike in the previous sub-section, there were no "natural spokespersons" to turn to in order to get a formal position statement outlining reasons in support of this view. Many variations and shades of opinion were offered, and narrowing down the different reasons into a manageable number of broad categories was a challenge. Undoubtedly, there exists some amount of crossover between these categories.

In many cases the opinions shared with us consist of subjective views and perceptions that can neither be confirmed nor denied. Nonetheless, they do reflect the concerns of some of the Aviation Division's customers.[9]

Visibility and Influence Diminished by Placement in Agency that is Primarily Devoted to Other Issues

The Aviation Division's current budget constitutes 0.16 percent of the Department of Transportation's total budget ($5.5 million out of $3.3 billion), and its 11 FTEs constitute a like percentage of WSDOT's total employee base. Among many stakeholders who support a separate Aviation Department, this is an overarching concern that contributes to, or permeates most other problem areas.

The specific concern is that the Aviation Division, and aviation issues in general, get lost within the vastly larger agency, leading to reduced visibility and influence. A perceived practical result is that aviation issues are not of high enough priority within WSDOT for it to be an effective advocate with the Legislature for issues such as increased revenues for general aviation.

WSDOT Organizational Structure and Requirements Further Limits Effectiveness

Some stakeholders believed that the Aviation Division's effectiveness was diminished because of various factors related to its organizational placement within WSDOT, or because of other procedural requirements or practices of the agency. Specific concerns included the following:

- Some stakeholders expressed frustration that under the existing organizational structure, key decisions affecting aviation – ranging from top-level management decisions to those involving construction requirements – are made by individuals who they feel are not knowledgeable about aviation.

[9] It might be noted that a reason ***not*** included in this section involves negative impact on the Aviation Division resulting from conflicts in requirements of the Federal Aviation and Highways Administrations. The reason this is worth noting is that a review of such conflicts was part of the study mandate – its inclusion implied that such conflicts might potentially be considered a reason for separating the Division from WSDOT. We were unable to identify any specific conflicts that had a substantive impact on the Aviation Division.

- Organizationally, the Aviation Division Director reports to the Secretary of Transportation's Chief of Staff, rather than to the Secretary. This reporting relationship was viewed by some as limiting the Division's access – and thus visibility – to both the Secretary and the Transportation Commission.
- Some stakeholders believed that the Aviation Division was constrained because under WSDOT procedures the Aviation Division Director does not have the authority to pursue legislation directly. Any legislative proposals have to be worked into the agency's overall legislative package, which is ultimately reviewed and approved by the Transportation Commission.
- A former Aviation Division staff member expressed frustration that under previous administrations, there was no regularly scheduled opportunity to brief WSDOT management on aviation issues, further limiting the Division's place within the agency.

Additional Information:

- The Secretary of Transportation's Chief of Staff, who is the immediate supervisor of the Aviation Division Director, indicates she holds regularly scheduled monthly staff meetings for all division and section heads under her supervision. In addition, she said there are quarterly agencywide "executive board" meetings which the Aviation Division Director attends.

Assertions About Inefficiencies and Higher Costs

Some former staff members claimed there were inefficiencies and higher costs associated with being a part of WSDOT. Specific assertions included:

- Unnecessary time is spent having to educate WSDOT personnel on basic aviation issues;
- Unnecessary delays occur in entering into personal service contracts, or agreements with agencies such as the Federal Aviation Administration, because such contracts and agreements have to be reviewed and approved by WSDOT.
- The Division was required to expend funds on replacement computers that were claimed not to be needed, in order to comply with WSDOT computer replacement policies.
- A WSDOT requirement that computer software purchases over a certain amount be reviewed by its Information Technology Office resulted – according to a former staff member – in having to spend more money on an inferior aircraft and pilot registration program.
- WSDOT policies precluded the Division from purchasing used vehicles, and instead required that vehicles be procured through its Transportation Equipment Fund, resulting in the Division having to spend more money than necessary.

Additional Information:

- Since the beginning of the 1999-01 biennium, WSDOT has provided all standard information technology services and equipment to the Aviation Division at no charge. The only services or equipment excluded would be anything that is unique to the Division (e.g., an aircraft and pilot registration system).

- WSDOT staff we spoke with did not recall the specifics of the claim regarding the software package for aircraft and pilot registration. They noted, however, that their Information Technology Office reviews proposed software purchases to ensure that they are compatible with the agency's mainframe and server environment. They indicated it was possible that the desired package either would not work with their current equipment or that it would cost additional funds to make it work.
- The current Aviation Division Director concurs with the WSDOT policy that vehicles be procured through its Transportation Equipment Fund, believing that it helps ensure that vehicles are safe and well maintained.

Certain Decisions Do Not Reflect the Interests or Views of Customers

Some stakeholders we spoke with, including those who attended our pilot focus groups, expressed substantial dissatisfaction with certain decisions recently made by WSDOT and/or the Aviation Division, and expressed anger over their perception that the decisions had been made unilaterally and without input from the aviation community. Specific areas of concern included:

- Some stakeholders who attended JLARC's pilot focus groups oppose the Division's move of its offices to Arlington. Their view is that this location will be less convenient for the majority of aviation customers, and strongly questioned WSDOT's motives for the move.
- Some stakeholders questioned the Aviation Division's decision (or perceived statement of intent) to discontinue its popular practice of loaning equipment to local airports for maintenance activities.
- Some stakeholders expressed concern over planned changes in the Division's Local Airport Aid Grant Program, such as the development of lighting and construction standards.
- Some stakeholders expressed great concern over the Division's stated intent to take increased advantage of general aviation airport funding available through the Federal Aviation Administration. They fear doing so could lead to the imposition of unnecessarily stringent standards that would have a negative cost impact.
- Some stakeholders also expressed concern over the perceived treatment of former Aviation Division staff members.

No Formal Mechanism for Providing Customer Input

Some stakeholders noted that the current structure does not provide any formal mechanism for providing customer input. One individual contrasted this to the former Washington Aeronautics Commission (prior to 1977), which would hold quarterly meetings at different locations throughout the state. It was stated that this arrangement gave people an opportunity to provide input, to get to know those who made decisions, and provided for a very "connected system."

Additional Information

- The Aviation Division Director recently established what he refers to as an informal "alliance" of stakeholders. In addition to providing a means for obtaining customer input, his intent is to use it in an advisory capacity on issues of policy, and as a sounding board on aviation related matters. He states that it will meet as needed, but at least

quarterly. Members include representatives of the Washington Pilot's Association, the Experimental Aircraft Association, the Community Airport Association, the Washington Public Ports Association, and the Federal Aviation Administration.

Oregon Recently Made its Aviation Division a Separate Department

In 1999, the Oregon Legislature passed legislation to remove its Aeronautics Division from its Department of Transportation, and create a separate Department of Aviation, effective July 2000. Some in Washington's general aviation community believe there are substantial parallels between the events that led to that action and the current situation in Washington.

Additional Information:

- Based on conversations with the Director of the Oregon Department of Aviation, there were three main issues that led to the drive to create a separate Department of Aviation:

    1) Anticipated cost savings: attributable to the policy of the Oregon Department of Transportation (ODOT) to charge the Aviation Program a significant administrative fee for all overhead costs of the Department;

    2) Perceived constraints on ability to effectively advocate for aviation issues: due to a variety of factors, including aviation not being a priority within ODOT;

    3) Inefficiencies associated with being part of a large agency devoted primarily to other issues: the Director noted this included being required to attend a bi-weekly staff meeting that lasted up to four hours.

  The Director noted that there were also other issues that were unique to Oregon – including personality and political issues – that played a major role in the decision to seek independence for the aviation program.

  Also of note is that the issue of creating an independent agency had originally been proposed and considered by the Legislature two years earlier. According to Oregon legislative staff, the decision to not go ahead at that time was made with the understanding that ODOT would be given two years to address the stated concerns.

  The Governor's Office and the Oregon Department of Transportation both initially opposed the proposal.

  It has now been two years since the independent Department of Aviation was established. The Director reports feeling positive about the change. She indicated they realized a $150,000 savings in their first full year due to not having to pay ODOT's overhead assessment. The Director believes their ability to advocate for aviation issues has improved, and that their visibility and influence has increased substantially both with the Legislature and within ODOT. (One of two legislative staff we spoke with also indicated they felt that aviation's visibility with the Legislature had increased.) The Director does not believe they are any worse off now in terms of multi-modal transportation planning, and she notes that their department continues to contract with ODOT for various professional and maintenance services.

  A spokesperson for ODOT indicated that there have been no major problems, and that the program's departure has not hurt their agency. She also indicated that coordination among the different transportation modes had "probably not" suffered.

A final issue of note is that at the same time the Oregon Legislature passed legislation creating the Oregon Department of Aviation, it also enacted a significant increase in the aviation fuel tax – from 3 to 9 cents per gallon. (Washington's rate is currently 7.5 cents per gallon.) The seeming general perception that aviation concerns have been successfully addressed in Oregon may be due as much – if not more – to the increase in revenue as to the move to an independent aviation department.

CUSTOMER PERSPECTIVES ON THE INDEPENDENCE ISSUE

The issue of possible independence for the Aviation Division was the subject of a question that was included on surveys we conducted among pilots and airport managers, and it was also discussed within the focus groups we conducted with these two groups.

Figure 6 presents the survey results. Although a plurality of both groups tended to favor the creation of a separate department, a majority did not. Pilots were more likely to favor the independence option.

Figure 6
Surveys Results on Issue of Independence for the Aviation Division

Opinion Regarding Independence Issue	Registered Pilots (N = 256)	Airport Representatives (N = 41)
Tend to favor keeping the Division within WSDOT	23%	32%
Tend to favor removing the Division from WSDOT and forming a separate Department of Aviation	48%	39%
No opinion at this time	29%	29%

Source: JLARC Survey.

The dominant view among those who attended our three pilot focus groups – a total of 21 individuals – was in support of creating an independent Aviation Department. There was not a clear consensus, however, among those who attended our airport representative focus group.

CHAPTER 4 – FINANCIAL IMPACT OF CREATING A SEPARATE AGENCY

INTRODUCTION

This chapter examines the costs of implementing and running a new, independent Department of Aviation, and the ability of existing funding sources to support a new department. The analysis is based on a review of existing budget and revenue information for the Aviation Division, supplemented by interviews with staff of the Aviation Division, WSDOT, the Office of Financial Management, and numerous other parties.

ESTIMATED COSTS OF A NEW DEPARTMENT OF AVIATION

For the purposes of this analysis, the focus is on the cost of services that are currently provided by WSDOT and on any additional costs that may arise from the implementation of a new department. Planned and currently developing changes to the Aviation Division efforts in coordinating with WSDOT are not reflected since they are not included in the services WSDOT has provided in the past.

Implementation Costs

While the Aviation Division is currently part of the Department of Transportation, it is a distinct entity with its own staff, offices and responsibilities. The Aviation Division's offices are not co-located with any other WSDOT function and the Division already pays rent, insurance, janitorial services, attorney general services, telephone services, state vehicle rental and other expenditures out of its own budget. For this reason, there would be only minimal start-up costs for establishing a new Department of Aviation.

State law does require each department, however, to maintain its principal office in the Olympia area.[10] Thus, it appears that if the Aviation Division were established as an independent department, it would be required to relocate, and therefore there would be associated moving costs. Based on their experience of moving their office from Seattle to Arlington, Aviation Division staff estimate it would cost approximately $56,500 to move again.[11]

Ongoing Costs

As a division within WSDOT, the Aviation Division receives a broad range of administrative and other services from the department, many of which are provided at minimal or no cost. A new Department of Aviation would either have to carry out these functions in-house or contract with WSDOT – or another state agency – for these services. In addition, since all other states with independent departments of aviation have an associated board or commission to provide support, oversight, or policy-making direction, for this analysis we assume some type of commission would be established in Washington.

[10] RCW 43.17.050. Also see AGO 1987 No.24.

[11] Included is $4,000 for Department of General Administration Real Estate and Architect charges, $5,000 for moving the Division's Emergency Operations Center, $7,500 for movers, $35,000 for tenant improvements, and $5,000 for miscellaneous costs.

Professional and Administrative Services Other Than Technology Services

Aviation Division staff provided us with what they characterized as "conservative" estimates of the number of hours of service currently provided to the Division by WSDOT staff, broken down by type of service. A summarized version of this estimate is shown in Figure 7.

Figure 7
Estimated Annual Number of Hours of Service Provided By WSDOT Staff To the Aviation Division

Type of Service	Estimated Hours Per Year
Professional services related to Local Airport Aid Grant Program	340
Professional services related to Land Use Program	370
Professional services related to Airport System planning	210
Administrative services related to budgeting	120
Administrative services related to fiscal assistance	310
Personnel services	120
Communications and printing services	456
Legislative support services	50
Risk management services	20
Consultant services on federal grants	80
Total Hours	**2,076**

Source: Aviation Division Staff.

Unfortunately, WSDOT accounting procedures do not identify the cost of providing these services to the Aviation Division. However, the estimate of 2,076 hours is essentially equivalent to 1.1 FTEs (considering time off for holidays as well as sick and annual leave). Assuming an average annual salary of $50,000, and benefits at 25 percent, we estimate the value of the personnel services identified above to be $68,750 per year, or $137,500 per biennium. In addition, at an average cost of $4,200 per employee per year, we estimate support costs – for such things as rent, utilities, communications and supplies – to be $4,620 per year, or $9,240 per biennium.[12] Thus, the combined value of the services identified above is estimated to be $73,370 per year, or $146,740 per biennium.

Information Technology

Due to a change in program structure that took effect for the 1999-01 budget, WSDOT currently provides all standard information technology services and equipment to the Aviation Division without charge (excluding services or equipment that is unique to the Division). The agency's Information Services Office estimates the ongoing cost for equipping and providing support for each employee – for the 2003-05 biennium – is $7,300 per employee per biennium. (An estimate for the current biennium is not available.) This includes the cost of regularly scheduled computer replacement.

[12] The $4,200 per employee per year cost for support services is based on JLARC's own agency expenditures from July 2001 through April 2002 for: rentals and leases; utilities; supplies and materials; communications; and facilities and services.

The Division is budgeted for 11 FTEs. Thus, the estimated cost of information technology services and equipment now provided by WSDOT to the Aviation Division is $80,300 per biennium.

Costs of an Aviation Commission

As noted, we assume since all other states with independent departments of aviation have an associated board or commission, Washington would do the same. A five-member commission meeting on a quarterly basis in different locations around the state appears reasonable. Since only one of the six aviation commissions in other states has its own staff, we assume that Washington's Aviation Commission would be supported by Department of Aviation staff. We estimate the amount of staff resources required to support such a commission to be 0.2 FTEs, and use $60,000 as an estimated annual salary.[13]

Based on these assumptions, an Aviation Commission would cost just over $56,000 per biennium.[14] Figure 8 identifies these costs.

Figure 8
Estimate Biennial Costs of Aviation Commission

Budget Item	Cost
Pay for Board Members	$ 4,000
Travel for Members & Staff	$ 19,350
Staff Costs, including. Benefits	$ 30,000
Goods and Services	$ 2,900
Total	**$ 56,250**

Estimated Total Costs

As indicated in Figure 9 below, we estimate the additional ongoing costs associated with operating an independent Department of Aviation to be $283,290 per biennium. As noted earlier, in addition to these ongoing costs there would also be an estimated one-time cost of $56,600 associated with re-locating the Aviation Division/Department to Olympia.

Figure 9
Estimated Biennial Ongoing Costs of Operating an Independent Department of Aviation

Cost Item	Estimated Costs
Costs of providing additional services other than technology services	$146,740
Costs of providing information technology services and equipment	$80,300
Costs of operating an Aviation commission	$56,250
Total Estimated Costs	**$283,290**

[13] This contrasts to an estimate of 0.75 staff being necessary to support the Oregon Aviation Board. That Board is a more active policy Board that meets monthly rather than quarterly.

[14] Members are paid $50/day for four meetings/year (2 days/meeting), staff support is 0.2 FTE from the Aviation Department. Goods and services includes room rental, phone calls and miscellaneous costs such as business cards and name plates for the Commission members.

ABILITY OF EXISTING FUNDS TO SUPPORT A NEW DEPARTMENT

As noted in the Background Chapter, the Aviation Division – with a current budget of $5.7 million – receives no state general funds, but instead is supported by its own two dedicated funding sources: the Aeronautics Account and the Aircraft Search and Rescue Safety and Education Account. Funds from the latter account can only be used for air search and rescue operations, and pilot education programs, while funds from the Aeronautics Account are used to fund all other Division programs.

The estimated $283,290 in additional biennial costs associated with operating an independent Department of Aviation would have to come from the Aeronautics Account, and so programs and activities currently funded through that account would have to be reduced accordingly. Although the additional costs represent only 5 percent of the Division's total budget, they represent a much larger share of individual programs; for example, 11 percent of the Local Airport Aid program, and 37 percent of the Aviation Planning program. Thus, while the additional cost of a new Department of Aviation is not great in relation to the Division's total budget, it could have a significant impact on its individual programs since the costs would have to be absorbed.[15]

[15] During the course of this study, we heard comments about a perceived lack of enforcement in collecting certain fees and taxes used to fund Aviation Division activities. Some felt that better enforcement efforts could provide the additional revenue necessary to offset any increased costs associated with operating an independent Department of Aviation. Department of Licensing staff, however, indicate the delinquency rate for collecting the aviation fuel tax – which is by far the primary source of revenue – is low. Other key sources of revenue include the aircraft excise tax and registration fees. Currently, there is limited effort to identify and prosecute delinquent aircraft owners because the cost of prosecution often far outweighs the amount of lost revenue. Aviation Division staff, who are responsible for collecting these fees and taxes, are planning to carry out an education campaign to convey the importance of proper registration to aircraft owners.

CHAPTER 5 – CONCLUDING DISCUSSION AND RECOMMENDATIONS

Consistent with the mandate for this study, our study scope was limited to reviewing the advantages and disadvantages of two alternative courses of action: retaining the Aviation Division within WSDOT, or removing it and creating a separate Department. We did not examine other potential options, which could range anywhere from eliminating the Division and parceling its existing programs out to other state entities, to expanding the Division by incorporating into it aviation related functions of other state agencies.

Our conclusion, after considering the input received and evidence reviewed – and given a choice between the two options examined – is that general aviation interests within the state can best be served by keeping the Aviation Division within WSDOT. That said, we acknowledge the concerns raised by stakeholders, and recognize that there is dissatisfaction among some in the general aviation community.

The consideration that firmly tips the scale in favor of keeping the Aviation Division within WSDOT is the cost factor. We estimate it would cost approximately $283,000 per biennium more to operate the Division as an independent department, because it would have to pay for numerous services that are now being subsidized by WSDOT. Since there are no other sources of funding, current Division programs would be negatively impacted because they would have to be reduced accordingly. Moreover, even if these additional costs were to be incurred by a separate agency, there would not necessarily be a corresponding reduction in WSDOT costs.

Other considerations that tend to favor keeping the Aviation Division within WSDOT include:

- Multi-modal transportation planning, if not yet truly an operational reality as it pertains to aviation, is a worthy goal to aim for, and intuitively it should be able to be facilitated by having all major transportation modes housed within a single agency. Undoubtedly, this is why the vast majority of states house their aviation agencies within transportation agencies. To the extent that general aviation plays an important and increasing role in the state's economy, it should be fully integrated into the state's overall planning process.
- While we acknowledge there may be certain bureaucratic inefficiencies that result from being part of a large agency, we believe these are more than outweighed by the advantages offered. While the Aviation Division clearly benefits from the administrative services provided by WSDOT, we believe it also benefits from the planning and engineering resources available through the agency, as well as the statewide presence that WSDOT's regional structure facilitates. This is part of the "value added" by having the Division placed within WSDOT.
- While a perceived lack of visibility and influence is understandably a major concern for aviation stakeholders, our sense is that this is as much a function of the individuals who fill key positions as it is a function of organizational structure. The two individuals in a position to most impact general aviation issues – the WSDOT Secretary and the Aviation Division Director – assumed their positions ***after*** the initial calls for this study; thus, they were not part of the environment that led to the study request. Based on interviews and a review of documentation provided, our sense is that the new WSDOT Secretary has made

substantial efforts to communicate with members of the aviation community, and that aviation issues are much more on the "radar screen" of WSDOT management than they were under the previous administration. Consequently, at least some conditions have changed since the original calls for this study.

- A majority of stakeholders who responded to our surveys did not – at least at this time – support creation of a separate department. Certainly a plurality did, but in addition to those who specifically favored keeping the Division within WSDOT, there were also some who did not have enough information to have an opinion.

Of greatest concern is the lack of a formal mechanism for obtaining aviation stakeholder input. The Aviation Division Director has recently appointed an informal alliance of stakeholders, and this should help to address this issue. An additional option would be to establish an Aviation Advisory Committee, such as exists in 12 other states – composed of pilot and airport representatives, and such other representation as deemed appropriate – to provide oversight and policy guidance to the Aviation Division and the Secretary of Transportation. Such a formal structure would have the advantage of ensuring that the stakeholder involvement process extends beyond the current Director's tenure, and it could also help to provide increased visibility for aviation issues – a key concern of the aviation community.

RECOMMENDATIONS

Recommendation 1

The Aviation Division should remain as a division within the Washington State Department of Transportation.

Legislation Required:	No
Fiscal Impact:	None
Completion Date:	N/A

Recommendation 2

The Department of Transportation, with input from aviation stakeholder groups, should review options for the creation of an Aviation Advisory Committee, to include recommendations for the composition of the Committee, its responsibilities and meeting schedule, and how the costs would be absorbed within the existing funding available to the Aviation Division. The results of this review and proposed actions should be reported to the appropriate committees of the Legislature by December 1, 2002.

Legislation Required:	No
Fiscal Impact:	Minimal
Completion Date:	December 1, 2002

Recommendation 3

The Aviation Division should annually survey its customers to obtain their input on pertinent issues and assess their satisfaction levels.

Legislation Required:	No
Fiscal Impact:	Minimal
Completion Date:	Annually

AGENCY RESPONSES

The Department of Transportation (DOT) and the Office of Financial Management (OFM) concur with Recommendations 1 and 3, and partially concur with Recommendation 2. Their full responses are included in Appendix 2.

ACKNOWLEDGEMENTS

We appreciate the cooperation and assistance provided by the Washington State Department of Transportation and Aviation Division management and staff. We would also like to thank Al Banholzer, President of the Washington Pilots Association, and Lynae Jacobson, President of the Washington Airport Management Association, for their help in coordinating our focus group sessions. Finally, we also would like to thank those pilots and airport representatives who participated in our surveys and focus groups.

Additionally, we would like to acknowledge the contributions of consultant Christine Wolf of Hanson Professional Services, Inc., who assisted us with this study.

This study was conducted by Robert Krell of the JLARC staff, with Bob Thomas serving as project supervisor.

Thomas M. Sykes
Legislative Auditor

On August 7, 2002, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Representative Val Ogden
Chair

APPENDIX 1 – SCOPE AND OBJECTIVES

Study of The Department Of Transportation Aviation Division

SCOPE AND OBJECTIVES

MAY 2002

STATE OF WASHINGTON
JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

STUDY TEAM

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STUDY MANDATE

The 2001-03 Transportation Budget (Chapter 14, Laws of 2001, 2nd Special Sess.) directs JLARC to:

> *conduct a performance audit to evaluate the advantages and disadvantages of removing the aviation division from the department of transportation and creating a Washington state department of aviation*.

The study is required to include: 1) a survey of Aviation Division customers to determine if the division is meeting their needs; 2) a comparison of regulations of the Federal Aviation and Federal Highway Administrations to determine if there are conflicts in the federal laws governing the Aviation Division and those governing the rest of the Department of Transportation; 3) an analysis of Department of Transportation processes to determine if creation of a separate aviation department would result in cost savings, and; 4) a financial analysis to determine if current aviation revenues would enable a separate aviation agency to operate without additional state resources.

The study is due to the Legislature and Office of Financial Management by December 1, 2002.

BACKGROUND

The Washington State Aeronautics Commission was established in 1947. The commission was dissolved in 1977, and its staff and duties were consolidated—along with the Departments of Highways and Ferries, and the Toll Bridge Authority—into the newly created Department of Transportation.

The Aviation Division is primarily responsible for *general* (as opposed to commercial) aviation issues. It administers a Local Airport Aid grant program, with most grants going to small airports operated by cities, counties, and port districts. It also coordinates air search and rescue missions, administers pilot and aircraft registration, coordinates airport planning, and maintains 16 [mostly very small] state-owned airports throughout the state.

The Aviation Division is budgeted for 11 FTEs and $5.5 million for the 2001-03 Biennium. Funding comes primarily from the state aviation fuel tax.

STUDY SCOPE

Consistent with the statutory mandate, this study will evaluate the advantages and disadvantages of removing the Aviation Division from the Department of Transportation and creating a separate state agency.

STUDY OBJECTIVES

1. Identify and review reasons given for continuing to house the Aviation Division within the Department of Transportation, as well as the reasons advanced for creating an independent aviation agency.
2. Assess the extent to which the Aviation Division is perceived by its customers as meeting their needs.
3. Identify any perceived conflicts in regulations or requirements of the Federal Aviation Administration and the Federal Highway Administration, and, to the extent conflicts may exist, assess their impact on the Aviation Division's current operations.
4. Examine pertinent processes of the Department of Transportation to determine whether creation of a separate aviation agency would result in cost savings.
5. Determine the cost implications of removing the Aviation Division from the Department of Transportation and operating it as a separate agency, and assess whether existing aviation revenues would be sufficient to fund it as a separate agency.

Timeframe for the Study

The 2001-03 budget proviso requires that study findings be presented to the Legislature and Office of Financial Management by December 1, 2002. Staff are currently scheduled, however, to present the preliminary and proposed final reports at the JLARC meetings scheduled for June and August 2002, respectively.

JLARC has engaged a consultant to assist in these tasks.

JLARC Staff Contact for the Study

Robert Krell (360) 786-5182 krell_ro@leg.wa.gov

JLARC Study Process

Criteria for Establishing JLARC Work Program Priorities

- Is study consistent with JLARC mission? Is it mandated?
- Is this an area of significant fiscal or program impact, a major policy issue facing the state, or otherwise of compelling public interest?
- Will there likely be substantive findings and recommendations?
- Is this the best use of JLARC resources: For example:
- Is the JLARC the most appropriate agency to perform the work?
- Would the study be nonduplicating?
- Would this study be cost-effective compared to other projects (e.g., larger, more substantive studies take longer and cost more, but might also yield more useful results)?
- Is funding available to carry out the project?

APPENDIX 2 – AGENCY RESPONSES

- Department of Transportation (DOT)
- Office of Financial Management (OFM)

APPENDIX 3 – AGENCY CORRESPONDENCE

As part of this study we requested the Department of Transportation to provide a formal, written response to the following question:

> *From the Department's perspective, what is the overall rationale – programmatic, budgetary, and/or other – for having the Aviation Division be a part of the Department of Transportation, rather than having it be a separate department.*

We also requested a written statement from the Office of Financial Management. Their responses follow.

APPENDIX 4 – STUDY MANDATE

(Chapter 14, Laws of 2001, 2nd Special Session, Section 605)

The joint legislative audit and review committee shall conduct a performance audit to evaluate the advantages and disadvantages of removing the aviation division from the department of transportation and creating a Washington state department of aviation. At a minimum the evaluation must include: (1) A survey of aviation division customers to determine whether the current aviation division meets the needs of those customers; (2) a comparison of procedures, regulations, and requirements of the Federal Aviation Administration and the Federal Highway Administration to determine if the federal laws governing the aviation division conflict with those governing the department of transportation; (3) an analysis of the department of transportation's processes to determine whether the creation of a separate aviation department would result in a cost savings to the state; and (4) a financial analysis to determine if the aviation fuel tax, aircraft registration fees, and other revenue from aviation services would enable a separate aviation division to operate without additional state resources. The joint legislative audit and review committee must report its findings to the legislature and the office of financial management by December 1, 2002.