

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

March 31, 2005

1:36 p.m.

**MEMBERS PRESENT**

Senator Charlie Huggins, Chair  
Senator John Cowdery, Vice Chair  
Senator Gene Therriault  
Senator Hollis French  
Senator Albert Kookesh

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 133

"An Act establishing the Aviation Advisory Board; and providing for an effective date."

MOVED SB 133 OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 16

"An Act relating to the powers and duties of the Department of Transportation and Public Facilities; repealing the requirement for a long-range program for highway construction and maintenance; and repealing a requirement that public facilities comply with energy standards adopted by the Department of Transportation and Public Facilities."

MOVED CSSSSB 16(TRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 133

SHORT TITLE: AVIATION ADVISORY BOARD

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

03/07/05	(S)	READ THE FIRST TIME - REFERRALS
03/07/05	(S)	TRA, FIN
03/22/05	(S)	TRA AT 1:30 PM BUTROVICH 205
03/22/05	(S)	Scheduled But Not Heard
03/31/05	(S)	TRA AT 1:30 PM BUTROVICH 205

BILL: SB 16

SHORT TITLE: POWERS/DUTIES DOTPF/TRANSPORTATION PLAN

SPONSOR(s): SENATOR(s) STEVENS G

01/11/05	(S)	PREFILE RELEASED 12/30/04
01/11/05	(S)	READ THE FIRST TIME - REFERRALS
01/11/05	(S)	TRA, FIN
01/14/05	(S)	SPONSOR SUBSTITUTE INTRODUCED-REFERRALS
01/14/05	(S)	TRA, FIN
03/22/05	(S)	TRA AT 1:30 PM BUTROVICH 205
03/22/05	(S)	Heard & Held
03/22/05	(S)	MINUTE (TRA)
03/31/05	(S)	TRA AT 1:30 PM BUTROVICH 205

**WITNESS REGISTER**

Kip Knudson, Deputy Commissioner  
Department of Transportation & Public Facilities  
3132 Channel Dr.  
Juneau, AK 99801-7898  
**POSITION STATEMENT:** Testified in support of SB 133

Karen Casanovas, Executive Director  
Alaska Air Carriers Association  
2301 Merrill Field Dr. Suite A-3  
Anchorage, AK 99501  
**POSITION STATEMENT:** Testified in support of SB 133

Tom George  
Aircraft Owners and Pilots Association  
No address provided  
**POSITION STATEMENT:** Testified in Support of SB 133

Russ Painter, President  
Alaska Airmen's Association  
Lake Hood, AK  
**POSITION STATEMENT:** Testified in support of SB 133

Jeff Ottesen, Director  
Department of Transportation & Public Facilities  
3132 Channel Dr.  
Juneau, AK 99801-7898  
**POSITION STATEMENT:** Testified in support of SB 16

**ACTION NARRATIVE**

**CHAIR CHARLIE HUGGINS** called the Senate Transportation Standing Committee meeting to order at [1:36:06 PM](#). Present were Senators Hollis French, John Cowdery, Gene Therriault, and Chair Charlie Huggins.

[1:36:24 PM](#)

**SB 133-AVIATION ADVISORY BOARD**

CHAIR HUGGINS announced SB 133 to be up for consideration.

KIP KNUDSON, Deputy Commissioner, Department of Transportation and Public Facilities (DOT/PF) testified in support of the Aviation Advisory Board. He maintained it has been an effective policy tool since inception. Aviation industry and interest groups recommended the formation of the board to Governor Murkowski. Since formation, the board is renewed each year through an administrative order. The commissioner of DOT/PF recommends the board become a permanent group.

[1:37:19 PM](#)

CHAIR HUGGINS asked Mr. Knudson whether the Aviation Advisory Board was in existence prior to Governor Murkowski's administration.

MR. KNUDSON replied no.

SENATOR COWDERY asked the purpose of having the commissioner consult with the board regarding hiring.

MR. KNUDSON answered the board would like to be involved with the hiring of airport directors.

SENATOR COWDERY inquired whether the system worked prior to the board being involved.

MR. KNUDSON responded there was a quick turnover of directors in Anchorage for eight or nine years.

SENATOR COWDERY indicated that might have been due to a lack of qualifications by persons holding the job.

MR. KNUDSON neglected to comment. He reiterated the board would like to be consulted regarding the hiring of airport directors.

SENATOR COWDERY asserted the hiring of airport directors should be an independent decision of the commissioner.

[1:40:13 PM](#)

CHAIR HUGGINS understood any advise from the board was advisory.

MR. KNUDSON agreed. The board has no veto ability.

SENATOR THERRIAULT suggested the Governor's Administration would welcome the opinion of the board.

MR. KNUDSON said it is the opinion of the Governor and the commissioner that there are critical infrastructure elements at stake and the aviation communities need to be involved with the appointments.

CHAIR HUGGINS asked whether the Governor was in support.

MR. KNUDSON said yes.

SENATOR FRENCH stated the purpose of the board is to comment on the selection of the two individuals who will run either the Ted Stevens Airport or the Fairbanks Airport. He inquired as to their other duties.

MR. KNUDSON admitted the vetting of the candidates is a small part. The board is used to review and discuss present and future policies.

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MR. KNUDSON advised the committee the board has met 10 times since creation.

CHAIR HUGGINS commented Anchorage and Fairbanks are represented and wanted to know if other communities are seeking representation.

MR. KNUDSON replied no. Anchorage and Fairbanks have large facilities in the communities. Board members are from the south central region.

[1:44:18 PM](#)

CHAIR HUGGINS asked whether board members should have an aviation background.

MR. KNUDSON replied both Anchorage and Fairbanks mayors did chose people with significant aviation backgrounds.

[1:45:51 PM](#)

SENATOR COWDERY asked him how many recommendations the board has made.

MR. KNUDSON replied one formal resolution was forwarded to the Governor.

[1:47:01 PM](#)

SENATOR THERRIAULT commented the Aviation Advisory Board members receive no pay but are allowed travel expenses yet the fiscal note is zero. He asked whether it was previously submitted in the FY 2006 budget.

MR. KNUDSON responded yes. The total amount is \$20,000 for the activity.

SENATOR FRENCH asked where the meetings were held.

MR. KNUDSON advised they were rotated throughout the state.

CHAIR HUGGINS asked whether the board had any oversight with the Medallion Flyer Program.

MR. KNUDSON advised that program is not included in the mission statement. The current role of the advisory board is mainly airport associated.

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KAREN CASANOVAS, executive director, Alaska Air Carriers Association, testified in support of SB 133 and said it would create a positive impact on air carriers operating in Alaska. The Aviation Advisory Board provides support, which will increase the aviation business, promote aviation safety, and provide for better policy making.

[1:51:21 PM](#)

MS. CASANOVAS added the board has discussed multiple priorities in their meetings.

CHAIR HUGGINS asked whether aviation insurance has been addressed.

MS. CASANOVAS surmised the subject has been discussed.

MR. KNUDSON advised air carrier insurance has not been a direct topic.

[1:54:18 PM](#)

CHAIR HUGGINS commented there were different insurance challenges between Part 121 and Part 135 operators.

MR. KNUDSON advised the smaller carriers suffer the squeeze.

MS. CASANOVAS added insurance costs are a continuing issue for the carriers. Some underwriters give a cost break if the carrier participates in the Medallion Program.

[1:56:05 PM](#)

TOM GEORGE, representative for the Aircraft Owners and Pilots Association, testified in support of SB 133. Making the Aviation Advisory Board permanent provides a balanced approach for the aviation industry to work with the Department of Transportation.

[1:59:03 PM](#)

RUSS PAINTER, president, Alaska Airmen's Association, testified in support of SB 133.

[2:01:00 PM](#)

SENATOR COWDERY moved SB 133 from committee with individual recommendations and attached zero fiscal note(s). There being no objection, the motion carried.

Chair Huggins announced a brief recess at [2:01:28 PM](#).

Chair Huggins reconvened the meeting at [2:04:09 PM](#).

**SB 16-POWERS/DUTIES DOTPF/TRANSPORTATION PLAN**

[2:04:09 PM](#)

CHAIR HUGGINS announced SB 16 to be up for consideration. SENATOR COWDERY moved to adopt a committee substitute (CS) for the sponsor substitute for SB 16(TRA). Hearing no objections, the motion carried.

[2:04:48 PM](#)

JEFF OTTESEN, director, Department of Transportation and Public Facilities (DOTPF) advised the committee the previous concerns with SB 16 have been addressed. He explained the changes to the committee. Page 3, line 19 delete "periodically" and insert "every five years". Page 4, line 23 delete "periodically" and insert "every four years". Page 5, line 31 is a new subsection that requires cost effective analysis for projects that fall into the threshold.

[2:07:14 PM](#)

MR. OTTESEN recommended the committee delay the effective date to July 2006 due to future projects approved by the voters, which are well underway.

[2:08:05 PM](#)

SENATOR THERRIAULT moved to adopt Amendment 1. There being no objection, the motion carried.

CHAIR HUGGINS asked Mr. Ottesen to speak of public facilities.

MR. OTTESEN advised the DOT's Public Facilities was created upon the merger of the old departments of highways and departments of public works. The DOTPF inherited the duties of public works for state buildings as well as many works for smaller communities. Through time, the smaller duties have essentially dissolved. Smaller communities now perform their own public works.

[2:10:08 PM](#)

CHAIR HUGGINS commented the DOTPF was attempting to implement business practicality.

MR. OTTESEN agreed. He pointed out AS 44.42.020(a) Paragraph 11 requires the DOTPF to annually evaluate cost, efficiency and availability of alternative fuels such as natural gas. Since natural gas is no longer considered the fuel of the future, DOT will watch the rest of the world for alternative fuel trends.

[2:11:56 PM](#)

MR. OTTESEN added Section 2; paragraph 15 is a new requirement to study alternative funding. Other states are looking for new funding for DOT such as mileage taxes and toll roads.

[2:13:10 PM](#)

SENATOR FRENCH asked Mr. Ottesen to describe the difficulty in cost/benefit analysis studies.

MR. OTTESEN referred to Section 3, line 6. A road project had been in the works since the 1970s and in 2002 litigation halted the project since they had not performed a cost/benefit analysis.

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MR. OTTESEN added the DOTPF has written a regulation saying they will consider the costs and benefits for all projects. There is no minimal threshold to which the current language applies. City governments are required to do their own cost/benefit analysis studies before they can submit projects to the DOTPF.

[2:18:43 PM](#)

SENATOR FRENCH commented regulations would dictate their options.

MR. OTTESEN agreed regulations would help define cost/benefit studies as well as local projects.

SENATOR FRENCH asked Mr. Ottesen how the proposed new law would have voided litigation.

MR. OTTESEN said it wouldn't.

[2:21:26 PM](#)

SENATOR FRENCH asked Mr. Ottesen how the DOTPF would treat the road to the Kenai Peninsula.

MR. OTTESEN answered they would treat it as an existing highway.

SENATOR FRENCH asked Mr. Ottesen to explain how the new system is different than the old.

MR. OTTESEN advised many new roads are being proposed.

SENATOR FRENCH said he is unclear whether a cost/benefit analysis is required for projects such as widening the Parks Highway or straightening the Seward Highway.

MR. OTTESEN advised under the new law the DOTPF would not be required to perform a cost/benefit analysis. Section 5; Subsection (e) singles out evaluating of new highways, airports, and other major components.

SENATOR FRENCH commented the intent of SB 16 is to stop having to do cost/benefit analysis for every upgrade in the state.

MR. OTTESEN agreed. They spent close to \$100,000 on one cost/benefit study for one rural project.

SENATOR FRENCH noted the sponsor statement says requiring studies to be done 10 years in advance is burdensome.

[2:24:03 PM](#)

SENATOR FRENCH added the new language still requires them to do the cost/benefit study on new projects far in advance.

MR. OTTESEN clarified the current language uses the phrase, "consider cost and benefits." That does not necessarily mean a cost/benefit analysis is required. There are several techniques one can use to consider costs and benefits. A cost effective analysis is a much simpler technique and can be done on an excel spreadsheet. The court case revolved around whether DOT was using the correct methodology.

[2:26:22 PM](#)

SENATOR FRENCH asked Mr. Ottesen whether the DOTPF was required to do a cost/benefit analysis under the old statute.

MR. OTTESEN answered no. The new statute would clarify when a cost/benefit analysis is required.

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SENATOR COWDERY moved CSSSSB 16(TRA) from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried. There being no further business to come before the committee, Chair Huggins adjourned the meeting at [2:29:54 PM](#).