

ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE

April 12, 2007

1:34 p.m.

MEMBERS PRESENT

Chair Kyle Johanson
Representative Mark Neuman
Representative Anna Fairclough
Representative Vic Kohring
Representative Mike Doogan

MEMBERS ABSENT

Representative Craig Johnson
Representative Woodie Salmon

COMMITTEE CALENDAR

HOUSE BILL NO. 185

"An Act relating to certain municipal service areas that provide road services."

- MOVED CSHB 185(CRA) OUT OF COMMITTEE

HOUSE JOINT RESOLUTION NO. 18

Opposing the enactment of the provisions in the Next Generation Transportation System Financing Reform Act of 2007 that increase aviation fuel and aviation gas taxes.

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 185

SHORT TITLE: MUNICIPAL ROAD SERVICE AREAS

SPONSOR(S): REPRESENTATIVE(S) COGHILL

03/12/07	(H)	READ THE FIRST TIME - REFERRALS
03/12/07	(H)	CRA, TRA
03/22/07	(H)	CRA AT 8:00 AM BARNES 124
03/22/07	(H)	Heard & Held
03/22/07	(H)	MINUTE(CRA)
03/27/07	(H)	CRA AT 8:00 AM BARNES 124
03/27/07	(H)	Moved CSHB 185(CRA) Out of Committee
03/27/07	(H)	MINUTE(CRA)

03/28/07 (H) CRA RPT CS(CRA) 2DP 4NR
03/28/07 (H) DP: DAHLSTROM, FAIRCLOUGH
03/28/07 (H) NR: NEUMAN, OLSON, SALMON, LEDOUX
04/12/07 (H) TRA AT 1:30 PM CAPITOL 17

BILL: HJR 18

SHORT TITLE: OPPOSE FED AVIATION FUEL TAX INCREASE
SPONSOR(S): REPRESENTATIVE(S) JOHANSEN

04/05/07 (H) READ THE FIRST TIME - REFERRALS
04/05/07 (H) TRA
04/12/07 (H) TRA AT 1:30 PM CAPITOL 17

WITNESS REGISTER

CAROL BEECHER, Intern
to Representative John Coghill
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 185 on behalf of the sponsor,
Representative Coghill.

CATHY WASSERMAN
Alaska Municipal League (AML)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 185.

RENE BROKER, Borough Attorney
Fairbanks North Star Borough (FNSB)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 185.

TAMMIE WILSON
Fairbanks, Alaska

POSITION STATEMENT: Expressed concerns with HB 185.

STUART DAVIES
Fairbanks, Alaska

POSITION STATEMENT: Encouraged the committee to vote in favor
of HB 185 and pass it this year.

LUKE HOPKINS, Member
Fairbanks North Star Borough Assembly
Fairbanks, Alaska

POSITION STATEMENT: Stated his support for HB 185.

RANDY FRANK, Member

Fairbanks North Star Borough Assembly;
Chair, Road Service Area Committee
Fairbanks, Alaska

POSITION STATEMENT: Testified on HB 185.

ED MAHONEY, Chair
Service District 1
Kodiak, Alaska

POSITION STATEMENT: During hearing of HB 185, testified that everyone within a road service area should pay the taxes.

LORI DAVEY
South Golden View Rural Road Service Area
Anchorage, Alaska

POSITION STATEMENT: Testified in favor of HB 185.

SANDRA WILSON
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 185.

SONIA CHRISTENSON, Staff
to Representative Johansen
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HJR 18.

WILFRED RYAN, President
Alaska Air Carriers Association (AACA);
President, Arctic Transportation Services
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to the concept of the Next Gen, especially in regard to expanded user fees.

ANDY CEBULA, Executive Vice President
Government Affairs
Aircraft Owners and Pilots Association (AOPA)
(No address provided)

POSITION STATEMENT: Testified that AOPA believes the passage of HJR 18 is important.

DEE HANSON, Executive Director
Alaska Airmen's Association
(No address provided)

POSITION STATEMENT: Testified that HJR 18 is important to general aviation and Alaskans.

TOM GEORGE, Alaska Representative

for the Aircraft Owners & Pilots Association
Fairbanks, Alaska

POSITION STATEMENT: During hearing of HJR 18, expressed concerns with the federal legislation.

ACTION NARRATIVE

CHAIR KYLE JOHANSEN called the House Transportation Standing Committee meeting to order at [1:34:18 PM](#). Representatives Johansen, Doogan, Kohring, and Fairclough were present at the call to order. Representative Neuman arrived as the meeting was in progress.

HB 185-MUNICIPAL ROAD SERVICE AREAS

[1:34:18 PM](#)

CHAIR JOHANSEN announced that the first order of business would be HOUSE BILL NO. 185, "An Act relating to certain municipal service areas that provide road services." [Before the committee is CSHB 185(CRA)].

[1:34:36 PM](#)

CAROL BEECHER, Intern to Representative John Coghill, Alaska State Legislature, provided the following testimony:

The bill, HB 185, ... deals with alteration of road service area boundaries to ensure taxpayer fairness. Under existing law, the borough lacks any effective means to alter existing road service area boundaries, even when necessary to ensure taxpayer fairness. Because only those properties within the service area boundaries can be required to contribute to the cost of the service area. The borough's inability to adjust boundaries creates two taxpayer fairness issues that the proposed legislation attempts to resolve. Currently, resolution of both problems depends upon taxpayers' willingness to vote against their own financial interest.

Presently, state law permits borough residents living outside a road service area to use road service area roads for their sole or legally required access. These residents derive a direct benefit equal to residents within the service area, yet they can refuse

to contribute to the cost of construction or maintenance of these roads by voting down any annexation attempt. This problem usually arises because of subsequent development near a service area which utilizes existing service area roads for access. While the borough demands, through its subdivision laws, that the owner, subdividers, consent to annexation into the service area as part of the subdivision application, state law still requires an election if anyone resides in the area, including the subdivider. These annexation votes typically fail as individuals are reluctant to join a service area when they can instead use these maintained roads for free. The proposed change to state law would fix this problem by allowing a service area to annex property that uses its roads for their sole or legally required access without a separate vote of the property to be annexed.

The second problem is the direct opposite. Here, people find themselves, either because of the way the original boundaries were drawn or due to subsequent road development, paying into a road service area even though they do not utilize the service area roads for access on to their property. Service areas, however, are often reluctant to vote to remove property from the service area because that effectively raises taxes on the remaining property owners. The proposed change to state law would fix this problem by allowing the assembly to exercise its judgment to alter, by ordinance, the service area boundary to exclude that property or properties that do not use service area roads.

[1:37:26 PM](#)

REPRESENTATIVE KOHRING related his understanding that if there were to be an annex, the monies collected from taxes would go directly to the road used.

MS. BEECHER clarified that [a taxpayer] who lives in the borough would continue to pay his/her property taxes. The portion taken for the road service area would be taken out for that purpose.

REPRESENTATIVE KOHRING said that he wants to be sure that a resident who is forcibly annexed has his/her taxes resulting

from the annexation go directly to the roads being used to access the property.

MS. BEECHER indicated her agreement.

[1:38:56 PM](#)

REPRESENTATIVE FAIRCLOUGH, drawing upon her knowledge from representing a district with road service areas, shared her understanding that road service areas only function to maintain the roads in that service area. She mentioned that there may be an administrative charge, through local government, if someone else is managing the road service area's money.

[1:40:02 PM](#)

CATHY WASSERMAN, Alaska Municipal League (AML), related AML's support for HB 185. She informed the committee that in the last year AML's membership has discussed this issue and has included the following statement in its FY 2007 Policy Statement:

The League supports legislative changes that would enable local government to regain control and management of its service areas. By regaining this authority, local governments can ensure that service areas are established, operated, and altered in a manner consistent with the constitutional purpose of service areas and the overall public good.

As the law now reads, boroughs have no way to address the needs of service area residents when the solution might [result in the] alteration of boundaries. Especially in situations of taxpayer fairness, borough hands are tied. If residents of a newly developed area must use service area roads for their only or legally required access and they live outside the service area, the boroughs only option for solving this issue is to hope like heck that these people will positively jump at the chance to increase their taxes. To date, that has not been a popular stance.

This bill would allow for annexation of the newly developed property without a separate vote of the property to be annexed. Another problem that has arisen due to boroughs lacking the authority to alter their own service areas is that if a road is no longer used by residents of the service area, either due to

new roads, changes of population patter, and so forth, they will still be required to pay into that road service area. However, again, the current law would require a vote by service area residents to willingly raise taxes on the remaining residents. If that particular unused road area was removed, HB 185 would allow borough assemblies to exercise their own judgment to alter service area boundaries in situations where property should be excluded due to lack of use.

Again, our position is that local governments should be allowed to control and manage service areas within their borough boundaries, and to that end we support House Bill 185.

1:42:29 PM

RENE BROKER, Borough Attorney, Fairbanks North Star Borough (FNSB), related that FNSB is in support of HB 185, which both the FSNB's road service committee and assembly have unanimously supported. She explained that the aforementioned support is achieved because HB 185 allows boroughs to address inequities in the system and restore some basic fairness principles to the service area taxation system. After all, the borough's name is on the tax bill received by the taxpayers, and therefore the borough has an interest in ensuring that the tax bill is fair and equitable. This legislation provides boroughs a manner in which they can ensure that the tax burden resulting from the cost of a service provided by a road service area is fairly borne by all property owners using the roads constructed by the road service area for their sole or legal access to their property. However, the legislation still preserves the right of the service area to vote on whether it wants property added to its service area. Therefore, it's ultimately still the service area's call, through a vote, to determine whether the increased revenue is worth the increased obligation or potential problems. Ms. Broker emphasized that this legislation doesn't force property on service areas.

1:44:23 PM

TAMMIE WILSON informed the committee that last October she was involved in a vote for a road service area. Although her section of the road wouldn't be maintained, she would still have to pay the same amount of taxes and maintain the private section of the road because the access to her road would be via the

public road service area. She expressed concern that if there's another vote, the boundary lines could be drawn such that she would be excluded so that the vote could pass and then use HB 185 to annex her road. She related that when she approached the borough to determine what would happen, she received a letter specifying that since she has a private road, that road couldn't be annexed because it wouldn't be maintained. However, this legislation doesn't specify what a public road is versus a private road. Additionally, she expressed concern with regard to fairness. She explained that currently residents pay taxes in a road service area based on property taxes. In order to be fair, everyone would pay the same amount, no matter the property value. Ms. Wilson emphasized that her largest concern is that the legislation removes the right to vote.

[1:46:26 PM](#)

REPRESENTATIVE FAIRCLOUGH asked whether Ms. Wilson's family pays road taxes into a service area.

MS. WILSON replied no, adding that everyone contributes and the [family] clears the roads. In further response to Representative Fairclough, Ms. Wilson confirmed that she drives on other roads besides her driveway and for which she doesn't pay. She explained that currently no one pays for those roads because that road service area was voted down last year. She mentioned that the road service area will likely be voted on again this next October.

REPRESENTATIVE FAIRCLOUGH stated that one of the issues is that service areas only pay for roads inside the service area while commuters travel on a road network to which they don't contribute. Although Representative Fairclough noted her agreement with Ms. Wilson's thought process regarding fairness, she said it's difficult to assess all the traffic and which roads an individual uses in order to determine a specific charge. She related that in the district she represents, there is a dual charge in which constituents are charged, at the borough level, for all the roads outside their driveways and for maintenance of the roads inside the service area. Representative Fairclough highlighted, "The issue is a bit larger than just individual driveways in that there are other roads that are maintained throughout the system and the network that people drive on."

MS. WILSON informed the committee that she was told that she would be exempt because her driveway came to the private road

where it would then meet the public accessible road. The aforementioned calls into question whether only that property connecting to a road service area can be annexed or can an entire section of property be connected, she pointed out.

[1:48:26 PM](#)

STUART DAVIES began by informing the committee that although he is a member of the 23-mile service area, he is speaking as a concerned citizen. He related his understanding that the language change proposed in HB 185 would only impact those residents of a subdivision who can't access their property any other way than traveling through a road service area.

CHAIR JOHANSEN relayed that the sponsor of HB 185 is nodding in agreement.

MR. DAVIES surmised then that HB 185 isn't annexing any property owners, which he said he understood to be a separate process.

REPRESENTATIVE FAIRCLOUGH noted her disagreement.

MR. DAVIES explained that he lives within the 23-mile road service area. He estimated that at least 14 parcels use 90 percent of the service area roads as their only access to their property. Those individuals aren't currently included in the 23-mile road service area. He related his understanding that in order to become part of the road service area, both the taxpayer and the service area taxpayers have to vote in the affirmative. This legislation, he opined, amends the language such that those outside of the road service area wouldn't have an ability to vote. Mr. Davies characterized HB 185 as a way of streamlining the annexation process, but doesn't mean that those individuals living on parcels within a road service area would automatically be annexed. In conclusion, Mr. Davies encouraged the committee to vote in favor of HB 185 and pass it this year.

[1:52:14 PM](#)

LUKE HOPKINS, Member, Fairbanks North Star Borough Assembly, related his support for passage of HB 185. He noted that he is available for questions.

[1:52:45 PM](#)

RANDY FRANK, Member, Fairbanks North Star Borough Assembly; Chair, Road Service Area Committee, stressed that the idea for

this bill originated from some road service area commissioners who saw a problem and wanted to fix it. He went on to say that if HB 185 passes, the assembly will still have to go through a public process for an annexation or for a property to withdraw from a service area.

[1:54:20 PM](#)

ED MAHONEY, Chair, Service District 1, related that within Service District 1 there are state-maintained roads and borough ordinance specifies that those properties using the state-maintained roads are exempt from paying the taxes to the service area. Mr. Mahoney opined that everyone within [the road service area] should pay the taxes otherwise it places an undue burden on those that do pay the taxes. He characterized paragraph (4) on page 2, which allows the exclusion of a parcel, as an inequity.

[1:56:00 PM](#)

LORI DAVEY, South Golden View Rural Road Service Area, explained that the South Golden View area in Anchorage has been the recipient of much growth over the last seven years. In fact, the area has accommodated over 50 percent of the growth for the Hillside area in Anchorage. The growth has resulted in an additional burden on the roads since many of the new developments aren't annexing into the rural road service area, although they predominantly use the rural road service area roads to access their property. Furthermore, the roads face the devastation created by the equipment used to build the new housing. The road service area bears the burden of maintaining the roads, she pointed out. In the last several years, the limited road service area hasn't been able to keep up with maintenance and thus it has changed to a rural road service area in order to obtain the ability to improve the roads. This legislation would help correct the inequities that the area has experienced with the unmaintained roads and new developments that are paying for the roads or the service area that the residents are using. Ms. Davey noted that it may not be financially feasible to bring in all the additional roads outside of the service area because they would have to be brought to a standard in which they could be maintained. Therefore, the road service area may choose to maintain some of the roads, although it may not choose to annex those roads because of the associated expense.

[1:58:22 PM](#)

SANDRA WILSON began by informing the committee that although she is an intern for Representative Carl Gatto, she is testifying on her own behalf today. Ms. Wilson testified in opposition to HB 185. In regard to fairness, she reminded the committee that the [taxes in a road service area] are based on the resident's assessed property value. She pointed out that an individual with the highest assessed value home in a road service area could have only one vehicle while an individual with the lowest assessed property value might have multiple vehicles. In such a scenario, the individual with the highest assessed property value and one vehicle is paying more whereas the individual with the lowest assessed property value and multiple vehicles is paying less. She shared her belief that the aforementioned is unfair. She questioned what would occur in a situation in which a subdivision is constructed in front of an established road service area and the road service area residents have to use the subdivision's roads to access their property. In such a situation it doesn't seem fair that the subdivision could force the road service area into the subdivision's road service area, she opined. Ms. Wilson then pointed out that HB 185 doesn't address a situation in which there are two established road service areas. Therefore, one established road service area may use the road service area roads of another and not be charged for that.

[2:00:07 PM](#)

Chair JOHANSEN, upon determining there was no one else who wished to testify, closed public testimony.

REPRESENTATIVE FAIRCLOUGH informed the committee that she has contacted the Municipality of Anchorage and the presidents of local road service areas from whom she received general support for HB 185. She then inquired as to why paragraph (4) of the legislation is important.

MS. BEECHER explained that paragraph (4) addresses a situation in which there is a parcel for a subdivision that is attached to a road service area that isn't using that road service area for its legally required access to that parcel. That provision would allow that subdivision to petition the assembly to request removal from the road service area so that the property owner doesn't have to pay for service that he/she isn't using. Ms. Beecher specified that the provision is included so that the property owner doesn't have to obtain a vote from the other subdivision because they don't want to relinquish the properties

that are paying into the road service area, even if the property owners aren't using those roads. She directed the committee's attention to the map labeled "Cordes Drive Road Service Area" as an example.

REPRESENTATIVE FAIRCLOUGH commented that she is in support of HB 185. She said, "As local governments try to have development encroach on those who have been long-time residents of communities, it is extremely difficult to provide adequate safety access and payment for that access in a roadway system that does not allow some judicious consideration by local authorities." She acknowledged that it's painful for those property owners who don't want to be annexed, and this legislation provides due process for that annexation and inability to vote since the grievance can be taken to the local governing body. However, she pointed out that in some instances there is an over-arching need for a community to make modifications to service areas.

[2:04:24 PM](#)

REPRESENTATIVE NEUMAN related that he spoke with folks in the Mat-Su Valley about this legislation, and they expressed concern in regard to paragraph (4) on page 2. The concern was that although one may not use the [road service area roads] to access his/her property, the roads are used to travel through the community. However, he opined that both sides of the matter have been considered in the legislation.

[2:06:36 PM](#)

REPRESENTATIVE NEUMAN moved to report CSHB 185(CRA) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 185(CRA) was reported from the House Transportation Standing Committee.

The committee took an at-ease from 2:07 PM to 2:09 PM.

HJR 18-OPPOSE FED AVIATION FUEL TAX INCREASE

[2:09:21 PM](#)

CHAIR JOHANSEN announced that the final order of business would be HOUSE JOINT RESOLUTION NO. 18, Opposing the enactment of the provisions in the Next Generation Transportation System Financing Reform Act of 2007 that increase aviation fuel and aviation gas taxes.

REPRESENTATIVE NEUMAN made a motion to adopt CSHJR 18, Version 25-LS0830\C, Kane, 4/10/07, as the working document. There being no objection, Version C was before the committee.

2:09:41 PM

SONIA CHRISTENSON, Staff to Representative Johansen, Alaska State Legislature, provided the following testimony:

HJR 18 is a resolution opposing the enactment of the provisions in [Federal Aviation Administration] FAA's Next Generation Air Transportation System Financing Reform Act of 2007 [Next Gen] that imposes air traffic control user fees and increases aviation fuel and aviation gas taxes. ... As you all know, because of Alaska's unique geography and limited road access, Alaska depends heavily on aviation for transportation, medical needs, mail distribution, recreation, and supplies and goods. With the aviation fuel and aviation gas tax increase, FAA's legislation, ... also called "Next Gen," will make flying much more expensive for Alaskans and increase the price of shipping goods and supplies. With the FAA legislation, air traffic control user fees will decrease the Congressional role in determining FAA spending. This gives more power to the FAA to make decisions for all airports, not taking into consideration Alaska's special needs, and favoring the needs of larger airline hubs.

2:11:04 PM

REPRESENTATIVE NEUMAN asked whether there has been any contact with Alaska's Congressional delegation on this matter.

MS. CHRISTENSON replied no, although she said that she has read that Alaska's Congressional delegation has yet to comment on it.

REPRESENTATIVE NEUMAN inquired as to the economic impact of the Next Gen legislation on Alaska. He noted that although this would impact a large number of small airplanes, it would also impact the Ted Stevens International Airport.

MS. CHRISTENSON indicated that she could research that.

CHAIR JOHANSEN announced that he doesn't intend to move HJR 18 at this time.

2:13:08 PM

WILFRED RYAN, President, Alaska Air Carriers Association (AACA); President, Arctic Transportation Services, explained that the Alaska Air Carriers Association represents a diverse group ranging from single pilot operators to [Federal Aviation Regulations] FAR-Part 121 regional and national carriers. The AACA objects to the concept of the Next Gen, especially in regard to expanded user fees. He highlighted that the industry already pays skill taxes, passenger ticket taxes, and freight taxes. Mr. Ryan informed the committee that the Next Gen also eliminates the current passenger ticket and freight tax and implements a fee associated with the use of the Federal Airway System and communications network. Additionally, part of the federal proposal removes Congressional oversight of the FAA. Mr. Ryan then related that the AACA objects to any change that grants the FAA independence from Congress. He suggested that the resolution should be amended to reflect the position of the Alaska Air Carriers Association, consistent with the opinions of its membership. The aforementioned requires more time, and therefore he recommended that the resolution remain in committee until the AACA fully develops amendments to the resolution that appropriately address the issues.

2:15:09 PM

REPRESENTATIVE FAIRCLOUGH asked if there is a deadline for responding to the federal legislation.

MR. RYAN related his understanding that [AACA] has through the end of this month, and perhaps into May, to draft positions on the federal legislation.

REPRESENTATIVE FAIRCLOUGH highlighted that the Alaska State Legislature should have completed its session by mid May. Therefore, if the resolution is held in committee, the state won't be able to comment on the matter. She related her concern with regard to the Next Gen, but expressed her hope that AACA could forward its objections within the next two weeks otherwise the state will forego its opportunity, as a legislature, to comment to Congress. She suggested that perhaps if AACA has further objections, those could be addressed as the resolution moves through the process. She then asked if AACA objects to anything in the current version of HJR 18.

MR. RYAN related his understanding that Congress is willing to move forward on the Next Gen on May 10th. He then noted his agreement that HJR 18 needs to move quickly through the House. He said that it would take no more than a week to suggest amendments to HJR 18. Mr. Ryan clarified that the committee needs to understand that while the user fee impacts the single pilot and the small 135 operators, it benefits the large 121 regional national carriers. He related that AACA would be comfortable moving HJR 18 forward with a few amendments.

REPRESENTATIVE FAIRCLOUGH said that she didn't oppose waiting one week. She then requested clarification regarding the initial concern with moving HJR 18 forward.

MR. RYAN explained that the original HJR 18 only addressed the fuel tax user fees. While AACA is opposed to the increase on fuel tax fees, it must take care that AACA's entire membership benefits. Therefore, AACA is attempting to find a balance between the new taxes imposed on single pilot operators and small on-demand charter organizations along with the benefits created for some of the larger main line operators. The AACA would like to add language to address the fees associated with the air traffic control system to which AACA disagrees. Furthermore, AACA objects to the elimination of Congressional oversight of the FAA.

REPRESENTATIVE FAIRCLOUGH requested that further information regarding how the higher level companies will benefit be emailed to her.

MR. RYAN explained that passengers pay a 7.5 percent excise tax on every ticket purchased. The regional and national carriers operate long-haul routes with high-cost tickets. For example, 7.5 percent on a \$1,000 roundtrip ticket amounts to \$75 in excise tax. The proposed fuel tax reduction for those carriers benefits the large carriers tremendously. Currently, small operators and 135 on-demand tour operators don't pay any tax associated with the carriage of passengers, and thus they face a quadruple increase. Therefore, AACA is attempting to find a balance between the two groups.

[2:21:46 PM](#)

REPRESENTATIVE NEUMAN inquired as to the meaning of 121 and 135 carriers.

MR. RYAN explained that 135 carriers operate with airplanes of less than 10 passenger seats while 121 carriers operate with more than 10 passengers seats.

[2:22:33 PM](#)

ANDY CEBULA, Executive Vice President, Government Affairs, Aircraft Owners and Pilots Association (AOPA), began by informing the committee that the Aircraft Owners and Pilots Association represent more than 411,000 pilots across the country and over 4,200 pilots in the State of Alaska are members. Mr. Cebula highlighted concerns with Next Gen, including the tax increase, the imposition of user fees, and the loss of Congressional control and oversight of the FAA. There are also cuts in federal investment in airports. In regard to the tax increase, he explained that the initial increase would be \$.50 per gallon and could increase further. He then informed the committee that on average over the last two years the price of aviation gasoline has increased by \$.68 per gallon. Therefore, this proposed tax would add an additional \$.50. Mr. Cebula noted that there is already a drop in aviation fuel sales as a result of the price increase. In fact, the sale of aviation gasoline reached a five-year low last year. More importantly, 80 percent of the members of AOPA have stated they will reduce their flying if this tax is implemented.

MR. CEBULA then turned to the user fees. Although currently the user fees aren't a well-defined proposal, the FAA wants to target large and small commercial operators with fees on their use of the air traffic control system, he explained. In some areas, primarily around large cities, general aviation would be affected. At this point, there is no city in Alaska that would be impacted for general aviation flights, although many commercial operators would be impacted. Mr. Cebula related, as has been observed in other countries, once a federal bureaucracy has the authority to impose user fees, it will only expand that authority. Therefore, he fully expected that the fees charged will be increased as well as the scope of what they will be charging for the fees. The federal legislation gives the FAA the ability to unilaterally raise fees. The only appeal is to the U.S. Department of Transportation, which results in very little oversight, he stated. Mr. Cebula opined that it's not in the state's best interest for aviation and the community to have bureaucrats in Washington, D.C., making decisions without the oversight to ensure the state's needs are met. In regard to the airport spending side, the desire is to cut the overall investment in airports by \$1 billion, which would eliminate some

of the entitlements for the smallest airports in Alaska. The aforementioned would also reduce the rate of the entitlements for other general aviation airports in the state. He opined that the FAA doesn't need to do the aforementioned. Although [the U.S.] needs to modernize its air traffic control system, Congress's own General Accountability Office and the Department of Transportation Inspector General have all said that the existing taxing mechanism can be used to finance modernization, airports, and the operation of the FAA.

[2:27:16 PM](#)

MR. CEBULA related that AOPA believes the passage of HJR 18 is important. It's important because in Alaska the federal legislation would cause an increase in the cost for transportation and would lessen the attention on the air transportation needs for Alaska. Therefore, Mr. Cebula requested that the legislature join general aviation organizations like AOPA, Alaska Airmen's, local communities who have formed national aviation alliances, etcetera to oppose the FAA legislation. Mr. Cebula then related to the committee that in a letter to one of Alaska's AOPA members, U.S. Representative Don Young said that he doesn't endorse the proposed plan submitted to Congress. In conclusion, Mr. Cebula requested the committee's action on HJR 18.

[2:28:35 PM](#)

MR. CEBULA, in response to Representative Neuman, confirmed that the federal legislation would cut up to \$1 billion for airport improvements. In further response to Representative Neuman, Mr. Cebula opined that the federal legislation will place the small rural airports in competition for a much smaller pot of money. Therefore, it will be more difficult for small rural airports to obtain the necessary financing. However, he noted that airports in Alaska are treated differently than in the Lower 48 and thus the effect in Alaska won't be as significant due to the work of Alaska's Congressional delegation to ensure the unique needs of the state are known.

[2:29:48 PM](#)

DEE HANSON, Executive Director, Alaska Airmen's Association, began by informing the committee that she is a third generation Alaskan who flies a 1955 Super Cub once owned by her grandfather. Ms. Hanson provided the following testimony:

This resolution is important to general aviation and to Alaskans. The Alaska Airmen's Association mission is to promote general aviation in Alaska. We have over 2,200 members across the state. The Airmen's Association is opposed to the FAA refinancing act and is practically concerned about the impact of the proposed increase in gas tax in Alaska for general aviation aircraft. As you know, a very large percentage of our state is accessible only by aircraft. In Alaska, the airplane is not a luxury item; it is a tool. Alaskans use airplanes as if it were a vehicle or a pickup truck to haul groceries, building supplies, fuel, and family not to mention weekly visits to our remote coastal distribution centers. Alaskans use airplanes to travel to neighboring communities to watch rival athletic events. We rely on our airplanes for recreation, and hunting, as well as business applications, such as guiding, flight seeing, game surveys, and very importantly, search and rescue. The price of fuel today is already a concern. At Lake Hood Seaplane Base, the largest seaplane base in the world, fuel costs are currently \$4.67 per gallon, which is up from \$2.95 two years ago. For those of our members that rely on their airplane to commute to and from work, this would be a financial hardship. We have members that live remotely, flying their private general aviation aircraft to Anchorage to Big Lake and Talkeetna. Those of us living in remote villages who depend solely on aircraft will have no choice at all. Our urban members are certainly looking at whether to fly or not. With this increased fuel cost you can be assured that people will be flying their aircrafts less, canceling the perceived advantage of increased revenue from this bill tax.

The other side of this is that people who are flying less are less proficient in their piloting skills. Therefore, this now becomes a very important safety issue. There will also be an impact on businesses that support aviation, such as maintenance facilities, avionics shops, part suppliers, and small aviation parts manufacturers. Many of these businesses are Alaskan owned and operated. They are not large state-side corporations. In conclusion, the Alaska Airmen's Association does not support the FAA Transportation Financing Reform Act that increases aviation fuel and

gas taxes. Adding \$.70 a gallon to the backs of general aviation pilots with already historically high fuel prices is moving in the wrong direction. It is our understanding that the current tax structure will adequately support the FAA and we want to stay with this system, which has been proven to work.

2:33:07 PM

REPRESENTATIVE NEUMAN questioned what impact this would have on the Civil Air Patrol and air rescue programs.

MS. HANSON replied that any increase in fuel prices will have an impact, as it will drive up costs.

2:34:00 PM

TOM GEORGE, Alaska Representative for the Aircraft Owners & Pilots Association, provided the following testimony:

Of course, we already know how important aviation is to the state. We've got something over 200 communities that have no road access, that rely on aviation as their main year-round link to the rest of the world. The user fees is a fascinating ... and ... complex challenge and it affects different segments of the aviation communities in different ways. One thing that the FAA is looking at in this bill is essentially access to airspace. The plan charges air taxi operators to land and take off at airports with control towers that exceed certain capacities. And in Alaska that would be Fairbanks, Anchorage, Juneau, and Bethel. So, there'd actually be a charge ... for the services provided going in and out of those airports. But we think this is, again, merely the camel's nose under the tent because we've seen in other countries where these fees have expanded as more services have been included, such as weather briefings, touch-and-gos, flight plans, etcetera. Of course, they're calculated on the historical traffic, but if the fuel prices and taxes go higher, the flying is reduced. Then those user fee rates will increase to cover the FAA's cost. In aviation we call that a descending spiral or a graveyard spiral.

The other aspect ... is aviation safety. We already have an accident rate that's higher than the rest of

the country. And there's been a lot of work, both with the Alaska aviation community and the FAA capstone program that's made significant gains over the past five years with some pioneering work they've done in Southwest Alaska. However, if pilots start avoiding services, such as access to weather, instrument approaches, towered airports because of costs associated ... with those changes, we could actually see a decline in aviation safety which, of course, is the very thing we're trying to turn around and go the other way with.

We've talked about the control of the FAA. Part of this plan is to establish an Air Transportation System Advisory Board, which would have the approval over the user fee system, and, as has been mentioned already, removing Congress more and more from the oversight of this. And, of course, in Alaska, ... the impacts of various FAA mandates have really hit Alaska hard over the years and without our Congressional delegation's ability to get the attention of the FAA for us to get fair and equitable treatment, it'd be very difficult to continue to do business. So, any move away from that, we think, is very bad for Alaska, for all segments of the industry.

Finally, on the fuel costs I can add my own ... personal data point. I have a small business that acquires vertical aerial photography around the state and last week while working on my taxes, I learned that I'd spent over \$8,000 on [aviation] gas in the last year and an average price of \$4.88 a gallon. And that ranged from a low price in Fairbanks, which is where I'm based, at \$3.40 a gallon to a high of \$7.00 a gallon in Galena. Well, already that inexpensive \$3.40 gas in Fairbanks is up to \$4.26 a gallon today. So, we've already seen that increase and it's certainly going to be going up proportionally in those other areas. So, adding a \$.50 fuel tax to that cost is really, again, taking us in the wrong direction. So, we definitely appreciate your efforts on this and would be happy to help it move forward any way we can.

[2:37:55 PM](#)

CHAIR JOHANSEN reminded the committee that HJR 18 would be held over.

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:38 p.m.