

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

April 3, 2018

1:22 p.m.

**MEMBERS PRESENT**

Representative Adam Wool, Co-Chair  
Representative Matt Claman  
Representative Harriet Drummond  
Representative Chuck Kopp  
Representative Mark Neuman  
Representative Colleen Sullivan-Leonard

**MEMBERS ABSENT**

Representative Louise Stutes, Co-Chair  
Representative David Eastman (alternate)  
Representative Gabrielle LeDoux (alternate)

**COMMITTEE CALENDAR**

PRESENTATION: RURAL AVIATION IN ALASKA BY DOT&PF

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

JOHN BINDER

Deputy Commissioner

Office of the Commissioner

Department of Transportation & Public Facilities (DOT&PF)

Juneau, Alaska

**POSITION STATEMENT:** Provided a PowerPoint on Rural Aviation in Alaska.

**ACTION NARRATIVE**

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**CO-CHAIR ADAM WOOL** called the House Transportation Standing Committee meeting to order at 1:22 p.m. Representatives Co-Chair Wool, Representatives Neuman, Drummond, and Kopp were

present at the call to order. Representatives Sullivan-Leonard and Claman arrived as the meeting was in progress.

**Presentation: Rural Aviation in Alaska by DOT&PF**

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JOHN BINDER, Deputy Commissioner, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), stated he would focus on the budget aspects.

MR. BINDER turned to slide 2, titled "Our People," which read as follows [original punctuation provided]:

Sherry Cole

- Administrative Assistant, DOT&PF, Ted Stevens Anchorage International Airport
- Alaskan resident for more than 30 years
- Worked in DOT&PF since 2003
- Provides administrative support to the airport staff as well as customer service to the traveling public
- Sherry has two daughters, Shantay and Taylor, who live outside of Alaska with their families. She has three wonderful grandchildren and enjoys every opportunity to spend time with them.
- She is grateful to be a part of DOT for the better life she's been able to provide for her family and her service to the State is invaluable.

MR. BINDER highlighted the importance of staff to the Department of Transportation & Public Facilities (DOT&PF). He highlighted Sherry Cole, who provides the "face" to the public, in particular to the airport's tenants, employees and vendors that come into the administrative offices.

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MR. BINDER reviewed slide 3, titled "Mission Statements," which read as follows [original punctuation provided]:

**DOT&PF**

"Keep Alaska moving through service and infrastructure"

**Statewide Aviation (SWA)**

"To sustain and improve  
the quality of life throughout Alaska"

MR. BINDER explained that Statewide Aviation is a specific division within DOT&PF that focuses on the rural airports, including every state-owned and operated airport except for the Anchorage and Fairbanks International Airports. In Alaska, aviation provides the only means of access to many communities, he said.

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MR. BINDER directed attention to the organization chart on slide 4, titled "Organization/Leadership," noting that as deputy commissioner he also serves as executive director of the international airport system and oversees the entire aviation system. He said the international airport system is a self-sustaining enterprise system, using rates and fees to cover all of its costs, but not using any state funds for its operations. In turn, its revenues do not flow to the state, he stated.

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MR. BINDER turned to slide 5, titled "Rural System Scope and Scale," which read as follows [original punctuation provided]:

- 240 DOT&PF owned/operated airports & seaplane bases
- 173 gravel & 46 paved airports; 23 Sea Plane Bases & 1 heliport
- 20 Part 139 certificated airports
- Primary access for 82% of Alaskan communities off the contiguous road system
- Rural System is primarily funded by GF, some revenue via leases

MR. BINDER indicated that the remaining 240 airports comprise the rural airport system, but these airports are not self-sustaining and primarily rely upon general funds for their operating costs.

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REPRESENTATIVE DRUMMOND asked whether the municipal airports are included in the 240 rural airports or if the municipal airports are outside the state system.

MR. BINDER agreed the municipal airports were not part of the state-owned and operated airports.

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CO-CHAIR WOOL related his understanding that the international airports consist of airports that have international flights, charge landing fees, and have achieved financial independence. He asked whether those were the distinctions and reasons to separate them out from other airports.

MR. BINDER answered yes; the [Anchorage and Fairbanks] International Airports were established by statute nearly 50 years ago. He acknowledged that the state could add to the system or set up other separate self-sustaining systems. The self-sustaining system drives the rate-and-fee structure for the two airports, he said.

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MR. BINDER reviewed the bullet points on slide 5. He noted that the 20 certificated airports are critical to the state. Part 139 refers to the FAA [Federal Aviation Administration] regulations, which requires airports serving a community of greater than 30-passenger capability aircraft to provide a higher standard of operation and maintenance. He characterized these as hubs around the state, such as Bethel, Dillingham, Nome, Kotzebue and other similar airports. These are department staffed airports that must also have crash and firefighting capabilities. He pointed out that these airports are more expensive to operate, with each certificated airport costing approximately \$1 million per year.

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CO-CHAIR WOOL asked for clarification on the Part 139 delineation.

MR. BINDER answered that Part 139 of the Federal Aviation Administration regulations (FARs) provides the requirements for a certificated airport. In further response to Co-Chair Wool, he explained that in Alaska this relates to those airports with over 30 passenger seats on a passenger plane; however, for the rest of the country the FARs apply to airports with more than nine passengers. This exception recognizes Alaska's rural uniqueness, he said.

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MR. BINDER turned to slide 6, titled "FY 17 Rural System Budget," which read as follows [original punctuation provided]:

**Cost:**

**Regions**

- Maintenance & Operating Cost = \$37.0M (H&A UGF)

**Statewide Aviation**

- Safety / Security /Property Mgt = \$4.5M (Other)

**Federal Funds**

- Maintenance = \$7.0M (AIP\*)
- Aviation System Planning = \$725K (AIP)

**Revenue:**

- Leasing Revenue = \$5.3M (Other)
- Aviation Fuel Tax = \$4.5M (Other)  
(Jet Fuel - \$4.1M, Av Gas - \$.4M)
- \* AIP - FAA's Airport Improvement Program grant funding

MR. BINDER said that generally the majority of the costs are attributed to the maintenance and operating costs (M&O), which are funded through the highways and aviation (H&A) budget. The H&A component tends to run \$130-140 million per year with about 25 percent allocated towards airports.

MR. BINDER related that Statewide Aviation [Division] provides the primary liaison between the FAA and the TSA [Transportation Security Administration] for safety and security requirements, including fencing, access, and passenger screening. The DOT&PF's Statewide Aviation also includes a leasing staff that manages all the lease and land agreements at the rural airports, including commercial carriers who operate at those locations, for hangar rentals, private tenants and tie downs, he said. These agreements generate approximately \$4.5 million in revenue each year and this funding is rolled back into the airports, he said.

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MR. BINDER stated that the department has made a concerted effort to use federal dollars for maintenance whenever possible. Federal rules allow the federal Airport and Airway Trust Fund (AATF) to be used for limited maintenance, including the AIP [Airport Improvement Program], the FAA's capital program; a portion of airplane ticket revenue goes into the AATF. He characterized the maintenance funding as funding directed towards fixing cracked ceilings, repainting, striping, and

similar items. Capital funding provides for major maintenance, such as repaving, adding taxiways, or lengthening runways, he said.

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MR. BINDER stated the FAA also allocates about \$725,000 each year for aviation system planning, including master plans that update drawings and provide for demand forecasting and public and community engagement. Leasing revenue was approximately \$5.3 million in FY 17 and the state collected approximately \$4.5 million in aviation fuel taxes for aviation gas and jet fuel. These funds flow into the general fund and the funds are allocated for aviation uses. In fact, the FAA requires that all dollars earned at the airport must be reinvested into the airport or an airport system and cannot be used to fund other activities in the community or elsewhere in Alaska, he said.

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REPRESENTATIVE DRUMMOND related her understanding that leasing revenue at Dillingham must be spent at the airport facility at Dillingham.

MR. BINDER answered that was not correct; that the state is allowed to allocate the revenue within an airport system. Since the state operates a number of airports it can pool funding to maintain the system. In further response to Representative Drummond, he agreed funding could be allocated to any of the 240 rural airports. He also agreed the two international airports maintain the international airport system; however, its funding cannot be used for rural airports.

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MR. BINDER turned to slide 7, titled "FY Rural System Budget," which read as follows [original punctuation provided]:

**FY17**

- Operating Cost (state funds) = \$41.5M
  - Revenue (fuel & leasing) = \$9.8M
- Total           \$31.7M(H&A UGF)
- 20 Certificated airports ("hubs") -\$22.8M
- 220 remaining -                   ~ \$42K each

- \* Cert airports are DOT&PF staffed/operated
- \* Remaining are generally contractor maintained

MR. BINDER reviewed slide 7, noting the operating cost of \$41.5 million was added to the H&A and Statewide Aviation costs minus any revenue generated from aviation fuel and leasing and totaled \$31.7 million for FY 17 in unrestricted general funds. He reviewed the \$22.8 million in costs for the certificated airport hubs, which left approximately \$10 million to be dispersed among the 20 airports. Most of the 220 airports are small village airports, including several strips alongside the highway. These airports are maintained through contractor relationships in local communities. These contractors operate the equipment which is purchased with federal dollars. He pointed out that airports along highways fall into a priority IV category for highway maintenance. Plowing for those airports have a lower-priority since people in these communities have other options for transportation, he said. He related that the costs vary from \$10,000-\$80,000 per year based on the amount of snowfall, so costs in Southeast Alaska tend to be less than in the northern regions of the state.

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CO-CHAIR WOOL asked whether that included staffing costs for small rural airports or if the gravel strips were non-staffed.

MR. BINDER agreed that the certificated airports are staffed with DOT&PF personnel. The airport manager oversees the village airports that surround the hub, with perhaps 20-30 contractors maintaining the village airports. These managers travel to the rural airports a few times per year to observe the type of work being done, he said.

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MR. BINDER turned to slide 8, titled "Rural System Budget," which read as follows [original punctuation provided]:

**System Sustainability**

- Cost reductions/efficiencies
- Sand/Chemical optimization
- Maintenance conversion to federal program

**Revenue generation options**

- Fuel Tax
- User/Registration Fee
- Landing Fees

MR. BINDER related that due to climate change the state has seen warming trends across the state resulting in additional erosion in coastal areas. He pointed out that due to erosion some of the rivers were closer to airports. The FAA requires maintaining pavement to the extent it requires significant plowing, sweeping and use of sand and chemical components to maintain good friction. The department pre-treats runways whenever possible, which is more effective than trying to melt ice after it is already formed. He reiterated that the department has been working to convert some of the maintenance activities to the federal program.

MR. BINDER reviewed revenue generation options, which include fuel tax, user registration fees, and landing fees. Currently, the department has leasing revenue available. The department has had significant engagement with aviation groups and has partnered with the Aviation Advisory Board to investigate reasonable and appropriate revenue generation mechanisms. He said a significant number of aviation groups prefer fuel taxes over other options since it tends to be more equitable - the more the operator flies, the more they pay. The administrative burden to increase fuel taxes was minimal since the mechanism is already in place, he said. Some airports charge user registration fees for aircraft on an annual basis. Landing fees are generally used at larger airports, which are typically structured on a fee per every 1,000 pounds of takeoff or landing weight. He reported that the Anchorage and Fairbanks International Airports charge about \$2.50 per thousand pounds. In further response, he answered that these airports base landing fees on the certified gross takeoff weight using the manufacturer's specification listing for the aircraft regardless of cargo or fuel.

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CO-CHAIR WOOL characterized it as a book value, regardless of cargo or fuel.

MR. BINDER agreed.

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MR. BINDER turned to slide 9, titled "Rural System Capital Funding FFY'14 through FFY'17," which read as follows [original punctuation provided]:

Federal Capital Funding (AIP - Airport Improvement Program)

- Rural System AIP annual average FFY'14 -'16 = \$136.7M
- FFY'17 AIP= ~\$130.6M

Rural Airport System State Match Required

- Generally 6.25% of project eligible costs
- A few Essential Air Service airports in designated economically distressed communities qualify for a 5% match of project eligible costs
- Annual airport match ~\$11M

MR. BINDER reviewed the FAA capital funding. He noted the department receives from \$180-\$200 million per year in federal funding; that it has been as high as \$220 million in the past several years. Alaska receives these dollars as a state, but some funds are directed to municipalities, for example, in FY 17, Juneau received about \$19 million. The international airports usually receive about \$40 million in funding with the remaining \$140-\$150 million directed to rural airports.

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MR. BINDER reported that the state obtains quite a bit since the state matching funds requirement has typically been 6.25 percent but as low as 5 percent for some rural airports. He characterized the federal funding as providing a 20 to 1 "bang for the buck" on those dollars. Under the federal program, the matching funds for essential air service (EAS) airports drops to five percent. He stated that the annual airport matching funds totals approximately \$10-11 million.

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MR. BINDER turned to slide 10, titled "Major Rural System AIP Construction Projects," which listed some of the larger capital projects anticipated to be funded in FY 17-18, including pavement rehabilitation for taxi and runway surfaces, rural access related to resurfacing or re-lighting, and snow removal for buildings, as follows:

**Pavement Rehab**

- Bethel
- Dillingham
- Galena

- Gambell
- Haines
- King Salmon
- Nome
- 

#### **Rural Access**

- Aniak
- Holy Cross
- Kiana
- Kivalina
- Kotlik
- Kwigillingok
- Newtok
- Pilot station
- South Naknek
- Toksook Bay
- White Mountain

#### **Buildings**

- Brevig Mission
- Buckland
- Homer
- Kobuk
- Kotlik
- Toksook Bay

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REPRESENTATIVE NEUMAN asked for the total cost of the projects.

MR. BINDER offered to compile the information and report back to the committee on the total costs; however, he pointed out the major projects for FY 17 and FY 18 total about \$140 million per year.

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CO-CHAIR WOOL asked whether pavement rehabilitation costs are derived from the 6.25 percent state match [as listed on slide 9] such that if the Galena airport needed pavement rehabilitation the funding would predominately be federally funded.

MR. BINDER answered that was correct. The FAA estimates pavement should last 20 years so if the timing is close to that the federal funding will cover the costs, he said. If the state

does not adequately maintain the airports, the potential exists for the FAA to decline funding and the state would need to pick up the pavement rehabilitation costs; however, typically the projects are funded, he said.

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MR. BINDER advance to slide 11, titled "Airport Improvement Program (AIP) for DOT&PF Airports in FFY'17," which read as follows [original punctuation provided]:

FAA airport capital improvement project funding program  
(~\$177.7M)

- Cargo Entitlement (\$12.8M)
  - Earned by airports with more than 100 million pounds landed weight
- Primary Passenger Entitlement (\$34.2M)
  - Earned by airports with more than 10,000 passengers (enplanements) and scheduled commercial service
- Non-Primary Passenger Entitlement (\$14.5M)
  - Earned by airports with fewer than 10,000 passengers annually
- State Apportionment (\$22.4M total less Muni Sponsors = \$22.4M)
  - An area/pop. formula used after cargo/passenger entitlements calculated
- Alaska Supplemental (\$21.3M total less Muni Sponsors = \$16.2M)
  - Legislative amount based on 1980 amounts
- Discretionary (\$111.2M less Muni Sponsors = \$77.6M)
  - What remains - divided among 50 states

MR. BINDER reviewed slide 11, noting several entitlement formulas are included nationwide, in part, based on the amount of cargo and passengers. He reported that Alaska is number two in the country on cargo.

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REPRESENTATIVE SULLIVAN-LEONARD related her understanding that when cargo is delivered to a community, such as Bethel, the

planes return empty. She recalled a farmer in Bethel who has been very successful and might be able to fill the plane with fresh produce at very little cost. She asked for clarification on the feasibility of such a process.

MR. BINDER answered yes; that in many instances the planes return to Anchorage with much less cargo, which provides opportunities for rural communities to return seafood or local produce. The department likes to work with local communities to maximize those benefits, he said.

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REPRESENTATIVE DRUMMOND asked whether the cargo entitlement listed at over \$100 million pounds was related to the Anchorage and Fairbanks International Airports.

MR BINDER answered yes.

REPRESENTATIVE DRUMMOND related her understanding that the cargo entitlement would only be spent in Anchorage and Fairbanks.

MR. BINDER agreed that the federal dollars would be spent in those two communities; however, he stated that the state is allowed to pool funding for the rural airports and prioritize its projects.

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MR BINDER stated that Non-Primary Passenger Entitlement refers to those airports that have less than 10,000 passengers. The state apportionment is based on the land mass and population, so obviously, the state does well on the land mass, but less so on population. He said that thanks to the late U.S. Senator Ted Stevens Alaska has specific supplemental funding of approximately \$20 million per year, which can be up to two-thirds of the allocation for the nation. The FAA bases its discretionary funds on security, safety, and capacity, he said. Alaska does very well each year on discretionary funding, he said.

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MR. BINDER directed attention to slide 12, titled "Aviation Challenges - Future," which read as follows [original punctuation provided]:'

- Fleet Changes
  - In-state changes (SAAB 2000, 737 freighter, Q-400)
- Climate Change
  - Increasing number of freezing rain/ice events
  - Rural runway subsurface maintenance (thawing permafrost)
  - Coastal erosion
- Ever-increasing federal compliance requirements
  - Access controls/ID management
  - Friction requirements
  - NEPA determination requirements for non-AIP development

MR. BINDER reviewed slide 12, noting that Penn Air has implemented the SAAB 2000, which bumps it up above the 30 passenger requirement so some communities it serves now need to be certificated. He characterized this as much more beneficial for airlines to use the high-performance aircraft; however, it does have a cost to the state since the state must provide an additional level of service at those locations. Alaska Airlines has implemented its freighter aircraft when it eliminated the combination aircraft; however, the aircraft size has posed some problems for airports due to the friction requirements as well as additional manpower to cover additional flights, he said. He reported that the Q-400 aircraft have left the state as of March and he expressed interest in whether the replacements will be a smaller jet aircraft, he said. The department does try to stay well out in front and be prepared for whatever the airlines might bring to the state, he said.

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CO-CHAIR WOOL asked when a non-certified airport gets a slightly larger plane whether it was the state's responsibility to certify the airport or does the airline indicate it can no longer serve the community and how that would get resolved.

MR. BINDER answered that the airline would not receive authorization from the FAA to operate at the airport until the airport receives the necessary level of service required by the aircraft. He said the conversation becomes whether the state has the money to fund increased service, which very quickly engages the community and the carrier to consider other revenue-generation options to help make up the difference. He characterized many of the conversations as being pretty

positive. Many communities would like to have the increased service and tend to be more willing to help provide funding.

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CO-CHAIR WOOL related his understanding that the discussions happen prior to the new equipment being initiated. He suggested that going from a non-certified airport to a certified airport means a significant increase in expenses. He further understood many communities are willing to bear the cost, likely through increased landing fees.

MR. BINDER answered yes; the department's position is to convey a willingness to explore an increased level of service, but it must be at no additional cost to the department. That usually leads to exploring what the options are and what should be considered.

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CO-CHAIR WOOL asked whether an option for increased service and equipment upgrades puts the company, the community, and the state in a somewhat awkward position, in particular, if the state says it does not want to pick up any additional costs. He asked whether this was currently being resolved, for example, with the SAAB 2000 aircraft.

MR. BINDER responded that Penn Air has explored increased service at several locations and the communities have been receptive to try to make up the difference. He pointed out that when the increased costs are factored in over a year's time, it usually has been a small per passenger cost per ticket.

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MR. BINDER related that Alaska does not fit the national mold in terms of aviation so many requirements levied nationwide are difficult to implement in the state; for example, standards for friction control. He stated that the NEPA [National Environmental Policy Act of 1969] determination was new, and the FAA would like to exert some say in private tenant construction at airports even though no state or federal dollars are being spent. The state continues to see security issues throughout the world so impacts in terms of access controls and perimeter fencing at tundra locations present challenges. He acknowledged that the state has great local FAA and TSA representation in

Alaska; however, many of these decisions are made in Washington D.C.

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REPRESENTATIVE KOPP asked whether there has been any change in the lease structure on airport lands. He recalled the leases were 50-year leases for airport-related properties. He asked whether there has been any change to the process.

MR. BINDER answered that one concern the department often hears is how low the lease rates are statewide, especially since they are often well below fair market value. Unfortunately, state statute prohibits an increase in lease rates greater than 10 percent per year. He recalled some rates were at \$.12-\$.14 whereas the fair market value might range from \$.80 to \$1. He reported that the department generally reviews rural rates about every five years. He acknowledged that sometimes tribes or boroughs are renting the same land at greater fees and tend to believe they are being undercut by the state. He acknowledged that was valid in some instances. As far as lease-term agreements, he said the length of the agreement depends on the amount of the initial capital investment so there is quite a range, he said. He stated that businesses also have an opportunity at the end of an agreement to reinvest additional funding to get extended terms, as well. He said there were opportunities for long leases for those who are willing to invest heavily in their location.

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CO-CHAIR WOOL said he was interested in landing fees because a bill before the legislature [not specifically identified] would impose landing fees on a particular airport, but not at all airports. He asked whether there was a delineation between the two international airports and whether it would be possible to carve out different subdivisions of airports based on whatever criteria the department wanted.

MR. BINDER answered yes; that is correct.

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CO-CHAIR WOOL remarked that he found it interesting that some communities would be willing to pay the difference in costs between certified and non-certified airports. He suggested that if the bill moved forward that there could be some further

discussions. He asked whether the federal standards for friction requirements were changing so airports needed to keep up with the new standards.

MR. BINDER answered yes; that this was the second winter in which the state has implemented national and international standards related to friction measurements on runways. He related that the department uses several different mechanical devices that provide a friction value on the runway, but essentially it has entailed speeding down the runway, slamming on the brakes and giving a subjective assessment as to the stopping power. He said this process makes it much more challenging to address the friction value. It was not as desirable to the FAA or the airlines since something more precise could be developed; in fact the FAA has adopted a whole new matrix that give a specific rating scale. However, it does not take into consideration some of the conditions in Alaska, for example, slush over ice or multiple-type contamination. He acknowledged that it makes it much more difficult to meet what conditions the airlines need to fly in, especially with new aircraft. He stated that the new FAA standards relate directly to performance characteristics of specific aircraft; therefore, a pilot can hear the numbers and know, based on the aircraft he/she is flying, what to expect for performance. It puts a lot more requirements for those on the ground to provide it, but the department will continue to work through those challenges, he said.

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CO-CHAIR WOOL asked whether the FAA's requirement was based on performance or lack of performance, not necessarily based on Alaska. He asked whether the FAA has new technology that can measure the friction factor or if was accident related or due to planes spinning out of control on runways due to friction.

MR. BINDER answered that there have been several national cases. He stated that in Alaska the runways tend to be shorter than in the rest of the country, so it poses some challenges in Alaska.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:01 p.m.