

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

February 6, 2018

1:30 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Anna MacKinnon
Senator Click Bishop
Senator Dennis Egan

MEMBERS ABSENT

Senator David Wilson

COMMITTEE CALENDAR

OVERVIEW: AIRPORT PROJECT EVALUATION BOARD/AVIATION PROJECTS

- HEARD

WITNESS REGISTER

JOHN BINDER, Deputy Commissioner
Alaska Department of Transportation and Public Facilities
Juneau, Alaska

POSITION STATEMENT: Provided an overview of Alaska's Airport Improvement Program (AIP) and the Airport Project Evaluation Board (APEB).

ACTION NARRATIVE

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CHAIR BERT STEDMAN called the Senate Transportation Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators MacKinnon, Egan, and Chair Stedman.

OVERVIEW: Airport Project Evaluation Board/Aviation Projects

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CHAIR STEDMAN announced that the committee will hear several presentations from the Alaska Department of Transportation and Public Facilities (DOT&PF) over the course of several meetings.

He said the meeting will provide an overview of the Statewide Transportation Improvement Program (STIP), specifically on airports that will encompass the Airport Improvement Program (AIP) and the Airport Project Evaluation Board (APEB).

CHAIR STEDMAN detailed that the Senate Transportation Committee will try to augment the work of the Senate Finance Committee to provide a base to allow for capital budget focus, an area outside the purview of the Senate Transportation Committee.

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JOHN BINDER, Deputy Commissioner, Alaska Department of Transportation and Public Facilities (DOT&PF), Juneau, Alaska, summarized that his presentation will focus on APEB as well as some of the aviation projects going on across the state during FY2017 and FY2018. He added that budget information will be presented on how projects are funded.

He addressed slide 2: Our People, Alaskans Serving Alaskans. He called attention to Sergeant Darcey Perry and detailed her accomplishments at DOT&PF as follows:

- Sergeant, Anchorage International Airport Police and Fire.
- Twelfth year serving DOT&PF.
- Lead instructor for the Firefighter Academy.
- Organized the Aircraft Rescue Fire Fighting (ARFF) conference in Alaska.
- Project manager for DOT&PF-wide ARFF training videos which earned the National Innovation Award from the National Association of State Aviation Officials.
- Lead for Critical Incident Stress Management (CISM) Team that provides stress management for public safety members statewide in coordination with Alaskan Chaplains Ministry.

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He addressed slide 3: Mission Statements. He disclosed that DOT&PF's mission statement is to "Keep Alaska moving through service and infrastructure." He added that DOT&PF breaks down the airport system into "international" and "rural." He detailed that the Alaska International Airports System's (AIAS) mission statement is "To keep Alaska flying and thriving," and the Statewide Aviation's (SWA) mission statement is "To sustain and improve the quality of life throughout Alaska." He specified that AIAS is focused on the economic generating piece while SWA's 240 airports deal primarily with access as well as providing for critical needs and services to rural Alaska.

MR. BINDER addressed slide 4: Organization/Leadership and slide 5: AIAS Structure. He disclosed that he oversees both AIAS and SWA. He detailed that AIAS was established by the Legislature as an enterprise system that requires self-sustainability without state funding and no revenues from the system-flow from the state as well.

He addressed slide 6: Annual Operating Revenues and Operations, Maintenance and Debt Costs-Funded from Customer Charges as follows:

- AIAS FY2017 Annual Operating Costs: \$148.43 million.
- AIAS FY2017 Revenue Sources: \$151.11 million.

He pointed out that more revenue than costs was generated. He specified that rates and fees are developed based on anticipated costs. He added that any excess revenue rolls into the rate and fee structure for the following year while revenue shortfall years are covered by air carriers that have signed on with the operating agreement make up the difference to keep the system whole.

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CHAIR STEDMAN asked Mr. Binder to address the rate adjustments that have been made at some of the airports. He recalled that adjustments were made to some of the leases.

MR. BINDER confirmed that lease adjustments were made. He detailed that SWA made rate adjustments that take effect July 1, 2018. He explained that SWA has a five-year rate structure that generally increases rates by 10 percent per year because rates are lower than fair market value. He noted that 2015 was the last cycle, a rate analysis occurred in 2016, and the next 5-year cycle was implemented in 2017 where a 20-percent increase was initially implemented with a 10-percent-annual increase at most airports.

He addressed slide 7: AIAS Primary Revenue Driver-Airfield Activity Certified Maximum Gross Takeoff Weight (CMGTW): Up 2.1 pct., FY2017/Up 4.8 pct., FY2018 year-to-date. He said AIAS landing fees have been encouraging over the past several years. He revealed that an overall drop has occurred over a longer period, but noted that the international air cargo market, the primary fees driver, has a positive outlook.

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MR. BINDER addressed slide 8: Capital Funding-Airport Improvement Program (AIP) and referenced as follows:

- Anchorage (ANC) FFY2017:
 - Discretionary: \$25.4 million
 - Entitlements: \$17.5 million
 - Total: \$42.9 million
- Anchorage (ANC) FFY2018-Anticipated:
 - Discretionary: \$26 million
 - Entitlements: \$17 million
 - Total: \$43 million
- Fairbanks (FAI) FFY2017:
 - Discretionary: \$0.0 million
 - Entitlements: \$4.2 million
 - Total: \$4.2 million
- Fairbanks (FAI) FFY2018-Anticipated:
 - Discretionary: \$0.0 million
 - Entitlements: \$1.7 million
 - Total: \$1.7 million

He disclosed that "entitlements" are based on the number of passengers and or cargo that comes through an airport.

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SENATOR BISHOP joined the committee meeting.

CHAIR STEDMAN asked that Mr. Binder address the Anchorage and Fairbanks airports' capacity levels, the ability to accept more flights without major renovation, and improvements or expansions that would be required if the coming gas-line construction occurred.

MR. BINDER disclosed that the peak for Anchorage and Fairbanks airports occurred in the 2006-to-2007 timeframe when a significant downturn occurred afterwards due to the world recession and Russia opening their airspace that allowed long-range aircraft to fly between Asia and North America without having to refuel in Anchorage. He revealed that operations are down by 25 percent since the peak. He added that fleets have upgraded to wide-body and longer-range aircraft that has reduced the number of passenger and cargo flights as well. He summarized that Anchorage and Fairbanks both have significant excess capacity in terms of aircraft operations. He said in terms of a gas-pipeline, there is a lot of land available, particularly around the Anchorage Airport for development.

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CHAIR STEDMAN asked how quickly the Anchorage Airport can respond if there was a fast timeframe for gas-line construction or other related interest from Asia that included tourism. He pointed out that Alberta had their tourism industry maxed-out when they had interest from China coming into the oil sands.

MR. BINDER replied that response would be dependent on available state or federal dollars. He noted that federal dollars would include permitting requirements. He opined that state and private dollars would streamline operations. He added that ramp availability is feasible at the [Kulis Business Park], the former Kulis Air National Guard Base, to fill gaps while development is occurring.

CHAIR STEDMAN asked to confirm that Anchorage and Fairbanks have airport facilities available where commerce would not be turned away.

MR. BINDER answered correct.

SENATOR MACKINNON noted Mr. Binder's explanation of decreased landings and asked him to restate what market was moving.

MR. BINDER specified that the impact was due to passenger flights where upgraded aircraft for transpacific flights can go between Asia and North America without refueling in Alaska. He noted that cargo flights, due to maximizing weight, continue to land in Anchorage for refueling.

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He addressed slides 9 and 10: Statewide Aviation (SWA); and Rural System Scope and Scale. He referenced SWA data as follows:

- 240 DOT&PF owned-and-operated airports and seaplane bases.
- 173 "gravel" and 46 "paved" airports.
- 23 seaplane bases and 1 heliport.
- 20 "part" and 139 certified airports.
- Primary access for 82 percent of Alaskan communities off the contiguous road system.
- SWA is primarily funded by:
 - General Fund: \$37 million,
 - Lease Revenue: \$5.3 million,
 - Aviation Fuel Tax: \$4.5 million.
- SWA operating cost: \$42 million.

MR. BINDER noted that the aviation-fuel tax flows directly into the general fund.

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He addressed slide 11: Rural System Budget and referenced data as follows:

- FY2017:
 - Operating Cost: \$42 million,
 - Revenue: \$5.3 million,
 - Federal Funds: \$7 million,
 - Fuel Tax to General Fund: \$4.5 million.
- System Sustainability-Cost Reductions & Efficiencies:
 - Sand and chemical optimization.
 - Maintenance conversion to federal program.
 - After-hours service agreements.
- System Sustainability-Revenue Generation Options:
 - Fuel tax,
 - User/Registration fee,
 - Landing fees.

He called attention to the \$7 million in federal funds and noted that DOT&PF has made a concerted effort to partner with the Federal Aviation Administration (FAA) by transitioning many maintenance activities to use federal dollars to minimize impact on the general fund.

He addressed sand and chemical optimization and noted that DOT&PF pre-wets the sand with chemicals before runway application to minimize icing.

He pointed out that one of the biggest components that has taken a hit within DOT&PF due to budget reductions is the ability to conduct overtime, especially at airports. He noted that carriers have desired the ability to fly into airports after-hours if needed. He disclosed that DOT&PF has after-hours agreements with carriers that are associated to specific needs to recoup after-hours costs.

He addressed revenue generation options, noting that carriers and pilots have said the aviation-fuel tax is the simplest and most equitable way to generate revenue for SWA.

He disclosed that a registration proposal is currently in the works based on FAA requirements as another option to generate revenue as well as provide benefits to carriers.

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SENATOR BISHOP responded to Mr. Binder's final comment regarding "User/Registration" fee as follows:

That one has generated some initial discussion with the pilots early on and I think there has been some more subsequent follow up conversations with your shop and people kind of moving back to the drawing-board with the user groups taking a wait-and-see attitude.

MR. BINDER answered correct. He detailed that DOT&PF has had some good work with the Aviation Advisory Board which represents most of the stakeholder groups around the state. He specified that DOT&PF has developed a new framework that will be more appealing to the stakeholder groups that will be understandable, fair and equitable. He added that a couple of FAA requirements are having to be addressed as well.

SENATOR BISHOP concurred that there are some underlying federal requirements that people may not have been initially aware of.

MR. BINDER addressed landing fees noted on slide 11 and disclosed that the fees are the least desirable by the aviation community, but the landing fees are the primary revenue generation mechanism at airports.

He addressed slide 12: AIP Rural System Funding FFY2014 through FFY2017 as follows:

- Federal Capital Spending:
 - Rural System AIP annual average FFY2014-FFY2016: \$136.7 million.
 - FFY2017 AIP: approximately \$130.6 million.
- Rural Airport System State Match Required:
 - 6.25 pct. of project eligible costs.
 - A few Essential Air Service airports in designated economically distressed communities qualify for a 5-pct. match of project eligible costs.
 - Annual airport match: approximately \$11 million.

He said that the rural system's AIP annually brings in approximately \$130 million to \$135 million and the state gets a "Lot of bang for the buck" for most airports. He specified that the match required by the state is 6.25 percent of the project cost, a 20:1 benefit for the state dollars.

MR. BINDER pointed out that a lot of rural airports are taking part in the Essential Air Service program through the U.S. Department of Transportation (USDOT). He explained that a community being served with an Essential Air Service contract drops the match down to 5 percent as well.

He summarized that the annual capital match is approximately \$11 million for the rural system.

CHAIR STEDMAN addressed airport projects in Southeast Alaska regarding the capital funding match and noted that an airport project in Angoon is already in the capital budget.

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MR. BINDER replied correct. He noted that specific projects will be reviewed later in his presentation that will address Chair Stedman's inquiry.

He addressed slide 13: Airport Improvement Program (AIP) for DOT&PF Airports in FFY2017. He noted that the FAA airport capital improvement project funding program of approximately \$177.7 million and itemized subcategories as follows:

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

He detailed that AIP is funded through the Airport and Airway Trust Fund (AATF), which is a portion of every ticket a

passenger pays as well as fuel-excise taxes and cargo fees. He detailed that AIP apportionment progresses as follows:

1. Percentage of cargo and passengers for the nation.
2. Primary and non-primary entitlements.
3. State apportionment based on land mass and population.
4. Alaska specific supplement.
5. Discretionary apportionment based on factors that includes how many aircraft are based at each airport and activity generated.

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SENATOR BISHOP addressed discretionary apportionment and asked to confirm that the FAA knows that an aircraft is registered, but not what specific airport an aircraft is located at.

MR. BINDER answered correct.

SENATOR BISHOP pointed out that registering an aircraft is important for receiving discretionary apportionment.

MR. BINDER answered correct. He specified that the underlying item is understanding where aircraft are based.

He addressed slide 14: Major Rural System AIP Construction Projects Expected to be Funded in FFY2017 and FFY2018, and referenced as follows:

- Pavement Rehabilitation:
 - Bethel
 - Dillingham
 - Galena
 - Gambell
 - Haines
 - King Salmon
 - Nome
- Rural Access:
 - Aniak
 - Holy Cross
 - Kiana
 - Kivalina
 - Kotlik
 - Kwigillingok
 - Newtok
 - Pilot Station
 - South Naknek
 - Toksook Bay

- o White Mountain
- Buildings:
 - o Brevig Mission
 - o Buckland
 - o Homer
 - o Kobuk
 - o Kotlik
 - o Toksook Bay

CHAIR STEDMAN asked if the AIP projects list is complete or partial.

MR. BINDER replied that the projects list is a sampling and the noted projects are the highest priorities. He noted that he will explain how DOT&PF prioritizes projects. He explained that DOT&PF has many more projects that are projected out for the next five years and added that AIP dollars are already allocated on the out-years.

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He addressed slide 15: Airport Project Evaluation Board (APEB) and referenced as follows:

- Board Members:
 - o Deputy Commissioner;
 - o Regional Directors;
 - o Statewide Aviation (SWA) Division Manager;
 - o Director of Program Development.
- Project Evaluation Board Process:
 - o Needs list development-conducted by regional planners;
 - o Project nominations to the board;
 - o Project scoring-criterion for airports (16), buildings (8);
 - o Regular review.
- Airport Spending Plan Development:
 - o Multi-year rolling plan.

He detailed that the APEB process determines priorities. He disclosed that projects come to fruition through DOT&PF's regional planners who are always engaged with communities in their region to make assessments for infrastructure, needs, and desires. He continued that regional planners submit proposed projects to APEB for scoring.

He summarized that APEB's total project scoring determines which projects are the most critical at a time that ultimately leads to prioritized projects spending plan. He revealed that projects

are not displaced within the current or following years due to the funding process unless there is an emergency or natural disaster. He disclosed that projects are constantly reviewed and noted that some projects take many years before they come to fruition.

MR. BINDER summarized that DOT&PF keeps a five-year-rolling plan that is coordinated significantly with the FAA. He added that DOT&PF's criteria match closely with the FAA's criteria to help with the state's national-priority ranking for annual discretionary-fund distribution.

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He addressed slide 16: Scoring Criteria and referenced as follows:

- Airport Improvements (16):
 - Safety,
 - Health and Quality of Life,
 - Economic Benefit,
 - Community Support,
 - Community Maintenance and Operations Contribution,
 - Local Capital Contribution,
 - Maintenance and Operations,
 - Security Certification,
 - Aviation Alternatives,
 - Community Transportation Alternatives,
 - Runway Length Needed,
 - Runway Surface Condition,
 - Aviation Hazards,
 - Erosion and Flooding,
 - Other Factors Not Considered,
 - Cost Effectiveness.
- Buildings:
 - Safety of Current Structure,
 - Needs,
 - Project Conditions,
 - Appearance,
 - Weather Conditions,
 - Airfield Safety,
 - Land Ownership Status,
 - Other Factors Not Considered.

SENATOR MACKINNON asked if the criteria is listed by importance. She commented on proximately of nearby airports where maintaining roads between venues should be taken into consideration versus consolidating to a single airport.

MR. BINDER replied that the criteria listing is random and not listed by importance.

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He addressed slide 17: Aviation Challenges-Future and referenced as follows:

- Fleet Changes:
 - International wide-body aircraft:
 - Changed the dynamics of rates and fees at international airports.
 - In-state changes (SAAB 2000, 737 Freighter, Q-400):
 - PenAir is using SAAB 2000 aircraft that requires an airport to be certificated per FAA requirements which is a more expensive way to operate an aircraft.
 - Alaska Airlines is using 737 freighters which has impacted scheduling and ground crews.
 - Alaska Airlines is phasing out Bombardier Q400s in March.
- Climate Change:
 - Increasing number of freezing rain and ice events,
 - Rural runway subsurface maintenance from thawing permafrost,
 - Coastal erosion.
- Ever-Increasing Federal Compliance Requirements:
 - Access controls and ID management,
 - Friction requirements,
 - National Environmental Policy Act (NEPA) determination requirements for non-AIP development.
- Potential Legislative Program Changes:
 - Bypass Mail,
 - Essential Air Service.

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CHAIR STEDMAN asked Mr. Binder to provide information on the Angoon Airport.

MR. BINDER replied that the Angoon Airport is new, the project is funded, and the airport is in the design process. He said the plan is for initial construction to begin in 2020.

CHAIR STEDMAN asked that Mr. Binder get back to him with details on the Angoon Airport project as well as a repurposed firetruck planned to be used at Klawock Airport on Prince of Wales Island.

He asked committee members from larger metropolitan areas to keep surplus equipment in mind for possible use in rural areas.

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SENATOR BISHOP asked how many flights Fairbanks' Northway Airport receives that require customs inspection.

MR. BINDER replied that he does not believe that Northway Airport has customs inspection anymore. He said he will follow up and confirm.

SENATOR BISHOP referenced a customs situation he experienced at Northway Airport.

CHAIR STEDMAN asked that Mr. Binder get back to the committee on the Angoon and Northway airports.

SENATOR EGAN pointed out that Juneau's airport has received a decrease in state-matching grants. He noted that Juneau has the largest municipal airport in the state. He asked that Mr. Binder comment on Juneau Airport's decreased funding.

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MR. BINDER explained that DOT&PF adopted a policy many years ago to help communities who run their own airports to "meet the match" by using state-matched dollars. He conceded that as the state budget continued to shrink the decision was made to utilize all the matching funds for the state capital requirements versus partnering with the local communities for theirs. He explained that the reason for the decision was that the airports could generate revenue through their rates and fees programs that do not exist in the state's rural airports.

SENATOR MACKINNON asked if regional-collaborative planning is taken into consideration during project prioritization when heavy equipment is moved into a rural area for possible use in multiple projects.

MR. BINDER replied that project scoring does include whether alignment can be done with nearby projects to "get the biggest bang for the buck."

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SENATOR MACKINNON addressed accidents on the Glenn Highway and disclosed that slower emergency response times are occurring due to emergency-turnaround lanes not being cleared of snow when the highway is being cleared. She asked that DOT&PF respond to her

concern to address the emergency-turnaround lane issue on the Glenn Highway.

CHAIR STEDMAN announced that the committee will continue to hear from DOT&PF on a regional basis regarding projects from 2018-2020 in upcoming meetings.

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There being no further business to come before the committee, Chair Stedman adjourned the Senate Transportation Standing Committee at 2:10 p.m.