

SB

148

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/99

FURTHER: SC 42199

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 21 April 99

Finance Committee considered

SENATE BILL NO. 148

"An Act imposing landing fees at state owned and operated airports; and providing for an effective date."

and recommends:

be replaced with _____ CS _____ (_____)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

Senate Bill:

- same title
- new title
- House Bill:
- same title
- technical title
- new: SCR# _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Roll & Co</i>	✓		
		<i>John P. Green</i>	✓		
		<i>Ch. ...</i>	✓		
		<i>Al ...</i>		X	
		<i>Pete ...</i>	NR		✓
		<i>...</i>	✓		
Co-Chair: <i>[Signature]</i>		Co-Chair:			
Co-Chair:		Co-Chair:			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
FN forthcoming			

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

4/22/99

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SB 148

Revision Date/Time (Note if correction) _____ Dept. Affected DOT&PF
 Title Airport Landing Fees BRU Commissioners Office
 Component _____
 Sponsor Senate Finance
 Requester (S) FIN Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	90.0	90.0	90.0	90.0	90.0	90.0
Travel	0.0	3.0	3.0	3.0	3.0	3.0
Contractual	0.0	20.0	20.0	20.0	20.0	20.0
Supplies	2.0	2.0	2.0	2.0	2.0	2.0
Equipment	15.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	107.0	115.0	115.0	115.0	115.0	115.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	107.0	115.0	115.0	115.0	115.0	115.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	107.0	115.0	115.0	115.0	115.0	115.0

Estimate of any current year (FY99) cost: 0.0

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

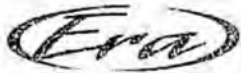
ANALYSIS: (Attach a separate page if necessary)

The \$90.0 in Personal Services would cover two Accounting Technicians for collecting landing fees.
 The \$15.0 cost in FY2000 is for computers and office equipment to support the Accounting Technicians
 The \$20.0 for Contractual and \$3.0 for Travel in FY2001 - FY2005 is to cover the cost of auditing landing reports and fees. Audits would not be done in the start-up year (FY2000).

Prepared by Dennis Poshard, Legislative Liaison Phone 465-3904
 Division Office of the Commissioner Date/Time 4/22/99 12:21 PM
 Approved by Commissioner [Signature] Date 4/22/99
 Agency Department of Transportation and Public Facilities

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**Era Aviation, Inc.**

6160 Carl Brady Drive
Anchorage, Alaska
99502

April 21, 1999

To Members of the Senate Finance Committee:

Please accept the following written testimony into the record on SB 148. The tax proposed in SB 148 is not well thought out for the following reasons.

Economics

Foremost, the air carrier industry is one of the most heavily taxed and regulated in the state. Both regulations and taxes shave our margins and challenge our business acumen. The challenge – to create a significant enough return on investment to justify being in business at all.

The proposed tax would conservatively cost Era Aviation \$130,000 each year. This is a significant percentage of our current margins. I would caution the Committee in confusing national air carriers' recent good fortune with the profit margins experienced by Alaska air carriers. Our industry has struggled with dramatic decreases in fish harvests and oil development activity. Tourism has somewhat made up for this decreased business, but do not underestimate the challenge of utilizing multi-million dollar assets for a visitor season which lasts only three months each year.

Claims by many that airfares in Alaska have steadily risen despite low fuel prices just do not hold water at Era Aviation. Our highest fare charged in the Kenai market was \$50 in 1990, and is currently \$55. Our lowest Kenai fare charged in 1990 was \$41, and today is \$36. Maintenance and personnel costs, our two largest cost centers, have risen steadily since 1990.

My final argument on the economic impact of this tax is that fuel prices, other taxes, and additional regulations are rapidly on the rise. For example, fuel has risen 20 cents in the last three weeks, and Era Aviation appears to be the only regional airline targeted for a \$3 per passenger head tax – the so called Passenger Facility Charge. Hopefully these arguments persuade you that we are neither in "fat city," nor undertaxed.

Overhead

The second reason for tabling this proposal is the high cost of collecting the tax. During the last go around of this tax in the early 1990's, collection costs exceeded 50 cents for each dollar collected. Little else needs to be said.

Senate Finance Committee
April 21, 1999
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Discriminatory

The 6,000 pound exemption segregates the commercial industry unfairly. At a minimum, this exemption should be removed.

Accountability

Finally, the air carrier industry has watched closely state appropriations associated with rural airports. Clearly, increased taxation has seldom resulted in improved service at those airports. In fact, recently the Legislature exempted foreign carriers from the state's aviation fuel tax, increasing the tax burden on home-grown carriers.

We are a major taxpayer to the international airport system, and actively participate in the management of those tax dollars. However, if the Legislature's intention is to make rural airports resemble the international system of user-pay, then air carriers' participation in resource management will need to increase.

Essential Transportation

Rural airports comprise the main transportation mode for rural Alaska. If the Legislature moves to a user-pay system for this mode, then, correspondingly, tolls on Southcentral highways would also be in order. Until the Legislature engages in a broader debate about equitable taxation of essential transportation modes, we oppose a move to a user-pay system at rural airports.

Should you have any questions regarding this testimony, please call me at 248-4422.

Sincerely,

Paul Landis
Paul Landis *BT K. Kuder*



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

SPONSOR STATEMENT

SB 148

“An Act imposing landing fees at state owned and operated airports; and providing for an effective date.”

Senate Bill 148 was introduced to require commercial aircraft using state owned and operated airports to assist in providing a small portion of the funding necessary to maintain these airports. The bill does so by creating a revenue generating landing fee of 50 cents per 1,000 pounds of an aircraft's certificated maximum gross takeoff weight. This fee will be imposed each time an airplane weighing 6,000 pounds or more lands at a state owned and operated airport certified by the FAA under 14 C.F.R. Part 139. Presently there are 22 airports state-wide that fall under the category of airports that would be required to impose a landing fee with the passage of this bill. SB 148 also provides for exclusions from this fee for certain types of aircraft and aircraft activities.

AIRPORT MANAGER LISTING

NAME	PHONE	FAX	ADDRESS	MANAGER
Anchorage Int'l.	266-2529	243-0663	Box 190649/Anchorage - 99519	Mort Plumb
Anc. Int'l Safety	266-2407	266-2470	Box 190628/Anchorage - 99519	Chief, Tim Foster
Barrow	852-6199	852-3073	Box 367 Barrow, AK 99723	Dan Swords Dano Bollman
Bethel	543-2485	543-4442	Box 505/Bethel, AK 99559	L. J. Davis
Cold Bay	532-5000	532-2416	Box 97/Cold Bay, AK 99571	Gerry Dias
Cordova	424-3202	424-3240	Box 598/Cordova, AK 99574	Tom Justice
Deadhorse	659-2553	659-2216	Pouch 340002 Prudhoe Bay, AK 996734	Sam Schyler
Dillingham	442-5511	842-3011	Box 250/Dillingham, AK 99576	Norman Heyano
Fairbanks Int'l	474-2538	474-2544	6450 Airport Way, Suite 1 Fairbanks, AK 99709	Doyle Ruff Dale Chronkrite
FAI Int'l Safety	474-2538	474-2544		Chuck Grandy
Gustavus	697-2251	697-2465	P.O. Box 239/Gustavus, AK 99826-0239	Gary Morgan/Ed Bond
Homer	235-8872	235-2498	2156 Kachemak Bay Drive Homer, AK 99603	Mike Morowitz
Iliamna	571-1261	571-1298	Box 187/Iliamna, AK 99606	John Adcox
King Salmon	246-3325	248-3023	Box 65/King Salmon, AK 99813	John Fundeen
Kodiak	487-4952	487-4913	1500 Anton Larson Road Kodiak, AK 99615	John Chya
Kotzebue	442-3147	442-2127	Box 55/Kotzebue, AK 99752	Kenneth Gallahorn
Nome	443-3431	443-2618	Box 1048/Nome, AK 99762	Jerry Oliver
Petersburg	772-4624	772-3641	Box 1108,Petersburg, AK 99833	Jerry Kvernvick
Port Heiden	246-3325	246-3023	Box 85/King Salmon, AK 99613	John Fundeen
Sand Point	632-5000	532-2416	Box 97/Cold Bay, AK 99571	Gerry Dias
Sitka	966-2960	988-2961	304 Lake Street/Sitka, AK 99835	Ron Kenman
St. Paul	532-5000	532-2416	Box 97/Cold Bay, AK 99571	Norman Heyano
Unalaska	581-1786	581-1850	P.O. Box 820525/Dutch Harbor, AK 99692	Gordon Macmillan
Valdez	835-5658	835-5849	Box 507/Valdez, AK 99686	Gary Kennedy
Wrangell	874-3107	874-3994	Box 1351/Wrangell, AK 99929	Pat Taylor
Yakutat	784-3293	784-3536	Box 186/Yakutat, AK 99689	Mike Hills

STATE OWNED AND LEASED, CERTIFICATED AIRPORTS:

Ketchikan	225-6800	225-2939	344 Front Street/Ketchikan, AK 99901 Ketchikan Gateway Borough	Don Chanell
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MUNICIPALLY OWNED, CERTIFICATED AIRPORTS:

Juneau Int'l.	789-7821	789-1227	1873 Shell Simmons Drive Juneau, AK 99801	David C. Miller
Kenai Municipal	283-7951	283-3014	210 Fidalgo Ave., St. 200 Kenai, AK 99611-7794	Steve Atha

SENATE FINANCE COMMITTEE

SIGN-IN

SB 148-AIRPORT LANDING FEES

NAME: Kim Ross Subject/Bill No: SB148
Co./Dept./Title: AK Air Carriers Assn. Phone: 270071
Address: 929 E. 81st #108 Anchorage Zip: 99518
Do you wish to testify? Yes No Respond To Questions

NAME: Kurt Parkan Subject/Bill No: SB148
Co./Dept./Title: Dept of Trans/ PF Phone: 6977
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: DOM EHERIDGE Subject/Bill No: SB148
Co./Dept./Title: AK Labor Phone: 5863707
Address: 710 W 9TH ST JUNEAU Zip: 99801
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

Bill Number	SB 148
Amendment	
Motion	Report out
<u>Motion by</u>	Wilken
Objection	
<u>Objection by</u>	Adams
Removed	
<u>Second Objection by</u>	
<u>Committee Member</u>	<u>Vote</u>
Senator Dave Donley	Y
Senator Loren Leman	Y
Senator Al Adams	N
Senator Gary Wilken	Y
Senator Pete Kelly	Y
Senator Lyda Green	Y
Senator Randy Phillips	Y
Co-Chair Sean Parnell	Y
Co-Chair John Torgerson	Y
<u>Tally</u>	
Yea	0 6
Nay	0 1
Absent	0 2
<u>MOTION</u>	Passed