

**Aviation Advisory Board Meeting Minutes**  
**Ketchikan, Alaska**  
**August 25, 2015**

**Meeting called to order by Chairman Lee Ryan at 8:39 a.m.**

**PARTICIPANTS:**

**Board Members:** Jim Dodson, Tom George, Lee Ryan, Steve Strait, Frank Neitz, Ken Lythgoe, Bob Hajdukovich, Tom Nichols, Mike Stedman, Dave Karp (via telephone)

**Excused Absence:** Dale Shaw

**Public:** Marilyn Romano, Alaska Airlines

**DOT&PF:** John Binder, Troy LaRue, Linda Bustamante, Marc Luiken, Mike Lessman

**Telephone Participants:** Jeremy Worrall, DOT&PF; Dan Stickel, DOR

**AGENDA and MINUTES** – Tom Nichols moved to accept agenda, Steve seconded. Steve moved to accept minutes, Tom Nichols seconded. Motions passed unanimously.

**Chairman Ryan** – Welcomed all to the meeting and asked group to participate in a “Dream Catcher” activity that reinforced appreciation for role of board members and difficult discussion that lies before them.

**Deputy Commissioner Binder** – Reviewed DOT&PF budget and impacts of FY16 \$30M budget cut. Cuts included some vacant position, some commodities, and over-time. There is an expectation of more cuts in the FY17 budget.

DOT has 150 contracts with villages across the state for airport maintenance. The department is engaging with tribal/village councils to explore options for them to manage the M&O of a cluster of airports within a specific region. DOT would still remain the airport sponsor.

The department has shifted to a “One DOT&PF” organization that will provide efficiencies in the current structure, promote core services that will give each employee a clear understanding of their role and contribution to the overall success of the department. The new organization will include centralized services in the Division of Statewide Aviation.

Provided a review of three revenue generation models; airport fuel tax, airport user fee, and landing fee.

**Tom George** – provided the board an overview of fuel taxes across the nation. There are a wide variety of taxes charged in states to include a mixture of excise and sales taxes. A graph showed normalized av gas and jet fuel tax per state. Alaska is on the lower end of the graph, which ranges from 0 to \$.63/gal.

## **Commissioner Luiken:**

The Department is looking at revenue generation for all modes. DOT will be asking the legislature for the authority to make changes to Title 17 without having to first go through a legislative process. DOT also wants to establish a surface transportation maintenance fund that would be funded by the legislature and have DOT accountable for those funds being used for transportation. The Department makes every effort to break even at airports but it's difficult or impossible at some rural airports due to their economies. The AMHS also needs to find a way to lower the state subsidy but he understands that communities can't contribute because of their economy. Commissioner appreciates Board looking at solutions to these fiscal challenges.

## **Board Roundtable Discussion on 3 revenue models:**

Board representatives met with the Governor's office and asked to have the opportunity to make a recommendation concerning revenue generation options for the rural airport system. Statewide Aviation provided revenue generation models for the Board to consider. This meeting is devoted to review revenue options, pros and cons, and consider a possible recommendation to the Governor.

Board members expressed the desire that whatever airport revenue generation measures are implemented should not create more state government, and are used to support the airport system. They also expressed concern their recommendation(s) be considered in the broader context of the state fiscal situation, and with recognition that other costs are impacting the aviation industry such as the pilot shortage. Also that there are liable to be additional taxes that may be implemented by the State (e.g. sales tax, income tax).

After much discussion of the three models, the Board unanimously agreed to submit the following recommendation to the Administration:

*In order to help support the sustained operations of the Alaska Rural Aviation System, the Aviation Advisory Board recommends increasing the motor fuel tax (avgas and jet fuel) to 10 cents/gal, at or below \$100/barrel ANS crude market price, and indexed annually to return to current levels at or above \$140/barrel ANS crude.*

*This recommendation is predicated on the revenues being used to support the aviation system outside the Alaska International Airport System, and further statewide revenue generation and increased operating efficiencies.*

The Board felt that more work was needed to refine or combine elements of the other two recommendations before considering them further. DOT&PF will continue to work with the Board on a workable model.

The Board wants to ensure that consideration of any future fees be equitable and that it be understood what impact those additional fees will have on the aviation industry. They also feel that this discussion should expand to and involve the aviation industry.

The next board meeting will be a teleconference in September or October. Full board meeting will be in Juneau – February 2016.

Meeting adjourned at 6:00 p.m.