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December 15, 2008

RE: Airports Advisory Task Force
Recommendation

Senator Michael Jungbauer, Co-Chair
Representative David Dill, Co-Chair
Airports Funding Advisory Task Force

Dear Senator Jungbauer, Representative Dill and Task Force members:

Based upon SEH's experience as a user of the Minnesota aviation system, a contributor to the State Airports Fund and a developer of the state aviation infrastructure, we recommend that the Minnesota Legislature provide for both Minnesota's aviation needs and an equitable means of providing revenues to the Minnesota State Airports Fund.

Improvements in the safety and reliability of Minnesota's access to the air transportation system and land use compatibility around airports are needed.

Each year Minnesota airport owners submit a Capital Improvement Plan (CIP) to the Minnesota Department of Transportation (MnDOT) Office of Aeronautics for airport construction state-aid funding. Requests for state funding during the (FY) 2010-2011 biennium total \$31,000,000. The anticipated construction state-aid funding appropriation for the same period is approximately \$17,000,000 (based upon the base appropriation specified for Fiscal Year 2010 in Minnesota 2008 Session Law Chapter 363, Article 11, Sec. 10).

The majority of the requested projects will not improve the reliability of air transportation access to airports and the communities that they serve.

At almost all Intermediate System airports (airports with paved runways less than 5,000 feet), aircraft can only land if the visibility is at least 1 mile, with clouds at least 350 feet above the ground. As has been stated many times previously, if citizens are denied access to streets and highways every time the visibility is less than a mile or the clouds less than 350 feet above the ground, they would not tolerate the restrictions—yet the users of the air transportation system are restricted to these conditions. This needs to improve!

Instrument approaches to the majority of Minnesota's airports are based upon 50-year old, and older, technology. Global positioning system (GPS) based precision instrument approaches are now available at a fraction of the cost to communities of the existing ground-based systems. The GPS based precision instrument approaches have the potential of reducing minimum approach conditions requirements to ½ mile visibility with clouds at least 200 feet above the ground.

Improvements in airport infrastructure and buffers are needed to take full advantage of the newly available GPS precision approach technology. A copy of an order-of-magnitude cost estimate was presented to Airports Funding Advisory Tasks Force at its January 17, 2008, meeting. Assuming that 50 airports should be updated to precision instrument approach capabilities over a 20-year period with 50% state-aid funding results in a \$5,000,000 per year need (see attachment). This need is in addition to the approximately \$8,500,000 per year shortfall mentioned earlier.

Revenues to the State Airports Fund and corresponding Airport Development and Assistance appropriations need to increase.

No increase in the appropriation for Airport Development and Assistance has occurred since 2001. The Engineering News Record Construction Cost Index indicates that a unit of construction that cost \$1.00 in December 2001 now costs \$1.33. Even more dramatic is the fact that no increase in the Minnesota aviation fuel tax has occurred since 1951—it remains at 5 cents per gallon. Applying the Engineering News Record Construction Cost Index, a unit of construction that could be purchased for 5 cents in 1951 now costs 78 cents!

Increases in State Airports Fund revenues and Airport Development and Assistance appropriations are needed now. Our economy is in recession, however, and we all need to pull together in order that Minnesota aviation remain as viable as possible.

Needed Minnesota aviation infrastructure improvements have already been postponed due to lack of funding. Further delays in revenue increases to the State Airports Fund should be considered, though, as a means of assisting the Minnesota aviation community through difficult financial times. This delay will likely result in additional costs due to neglected maintenance and unmet user needs. Some of the losses could be offset by the return of \$15,000,000 to the State Airports Fund for use during Fiscal Years 2009 through FY2011 followed by an aviation users' fee increase at the end of the recession.

Dr. Thomas Stinson, Minnesota State Economist, during his presentation to the Minnesota Senate Tax Committee on December 10, 2008, forecast that an upturn in the economy could begin in 2011. An increase in revenues should be considered beginning with Fiscal Year 2012.

The Minnesota Business Aviation Association (MBAA) has proposed, for discussion purposes, a neutral shift to the State Airports Fund that is approximately neutral. The proposal has considerable merit and deserves fine tuning efforts by all affected. MBAA's proposal includes a provision that the jet fuel tax imposed on its members to be higher than on the other segments of

Minnesota aviation users. This is admirable. Administratively, though, the proposal might be more complex than the current system. The scenario might be improved by using just one base tax rate for all jet fuel users.

Currently, Minnesota Statutes provide for progressively increasing refunds of aviation fuel taxes when annual purchases exceed three defined volume amounts. MBAA's proposal maintains the refund amounts, but increases the volume amounts for each refund level.

Ms. Nel Stubbs of Conklin & de Decker Associates, consultant to the Airports Funding Advisory Task Force, stated during the Task Force's December 8, 2008, meeting that Minnesota is the only state with a "stepped" aviation fuel tax refund system. The restructuring of the tier system might be another consideration for implementation beginning in Fiscal Year 2012.

Minnesota should be competitive with other states both in terms of costs associated with operating an aircraft within the state and in terms of the aviation infrastructure and services provided. State of Minnesota expenditures on the entire state system of airports total less than the cost of one vehicle (large corporate jet aircraft) using the system!

In my opinion, the MnDOT Aeronautics Office provides the contributors to the State Airports Fund with a strong return on its investment. The amount of funding, however, prevents Minnesota from remaining competitive with the more populated states in terms of aviation infrastructure and services provided to its business aviation users.

Federal funding to airports is based upon airport usage. In general, states with more population than Minnesota will have airports with more activity. Airports with higher levels of activity will receive more federal funding. In order for Minnesota to provide its businesses and citizens with access to the air transportation system equal to states with more population and higher airport activity, a larger state contribution to the Minnesota state aviation system will be necessary.

Some users of Minnesota's aviation system that are not paying their fair share—fractional ownerships and those who are not paying the aircraft registration tax as required by law. Efforts should continue to establish a method of identifying and taxing fractional ownerships. Corresponding modifications to Minnesota Statutes should be made, if necessary. An Aeronautics Office staff position that dealt with registration tax enforcement was eliminated several years ago as a part of the reduction in force that has occurred within the Office. This position should be reestablished.

The Airports Funding Advisory Task Force study has provided needed background information as a partial basis for upcoming decisions regarding the future of aviation in Minnesota. Providing for Minnesota's aviation needs without overly burdensome users fees will continue to be the challenge. The evaluation and decision making process that has been started needs to continue, without delays, until a satisfactory outcome has been achieved.

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Improvements in the safety and reliability of Minnesota's access to the air transportation system and land use compatibility around airports have been delayed and are overdue. Significant progress has been made during the tenure of the Airports Funding Advisory Task Force. Efforts need to continue, uninterrupted, to prevent further delays and to minimize duplication of efforts resulting from additional startups.

Sincerely,

Raymond M. Strege, PE
SEH Principal
Airports Funding Advisory Task Force Non-Voting Member

Attachment

C: Senator Ann Rest
Representative Michael Beard
Representative Ann Lenczewski
Director Greg Hubinger

**Improving the Safety and Reliability
of
Minnesota's Access to the Air Transportation System
through
Emerging Technologies
(Precision GPS Instrument Approaches)**

Order of Magnitude Cost Estimate

Intermediate System Airports

Environmental assessment and mitigation	\$500,000
Precision approach survey	100,000
Land acquisition	800,000
4,200' x 100' runway with parallel taxiway, grading, clearing, grubbing and drainage (see other side for calculations)	8,000,000
High Intensity Runway Edge Lights (HIRL)	300,000
Medium intensity Approach Lighting System with Runway Alignment Indicator Lights (MALSR)	500,000
Flight procedures design, coordination, flight check and publication	<u>100,000</u>
Total Cost per Airport	\$10,300,000
Use	\$10,000,000
Existing intermediate system airports	83
Assume 60% will be used for business purposes requiring greater access reliability (precision approach)	<u>x.60</u>
Airports to upgrade	50
Average cost per airport to upgrade	<u>x \$10,000,000</u>
Total Cost to Upgrade Intermediate System Business Use Airports to Precision Approach	\$500,000,000
Assumed Minnesota Aeronautics participation	<u>x0.20</u>
State Airports Fund share	\$100,000,000
Assumed 20-year implementation	<u>x0.05</u>
State cost per year	\$5,000,000

**4,200-foot by 100-foot Runway
with
Parallel Taxiway**

Order of Magnitude Cost Estimate

Asphalt		\$1,587,956
Aggregate Base		250,225
Granular Borrow		600,541
Excavation		801,002
Geotextile Fabric		183,381
Subdrain System		188,735
Pavement Joint		84,356
Painting		36,724
Clearing & Grubbing		1,069,215
Seeding		249,514
Drainage	5.0%	252,582
Mobilization	5.0%	<u>265,212</u>
Total		\$5,569,443
Contingencies	25.0%	1,392,361
Engineering, Testing, Administration	20.0%	<u>1,113,889</u>
		\$8,075,693
Use		\$8,000,000