

INTERIM JOINT COMMITTEE ON TRANSPORTATION

Minutes of the 5th Meeting of the 2021 Interim

October 5, 2021

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Transportation was held on Tuesday, October 5, 2021, at 1:00 PM, in Room 149 of the Capitol Annex. Representative Ken Upchurch, Chair, called the meeting to order, and the secretary called the roll. The minutes from the September 20, 2021 meeting were approved.

Present were:

Members: Senator Jimmy Higdon, Co-Chair; Representative Ken Upchurch, Co-Chair; Senators Karen Berg, C.B. Embry Jr., Brandon Smith, Johnnie Turner, Phillip Wheeler, Mike Wilson, Max Wise, and David Yates; Representatives Tina Bojanowski, Josh Branscum, Kevin D. Bratcher, Randy Bridges, Ken Fleming, Samara Heavrin, Regina Huff, Thomas Huff, Derek Lewis, Savannah Maddox, Shawn McPherson, Charles Miller, Sal Santoro, Tom Smith, Cherlynn Stevenson, Ashley Tackett Laferty, Walker Thomas, Susan Westrom, and Buddy Wheatley.

Guests: Mark Carter, Commissioner, Kentucky Department of Aviation; Brad Schwandt, Deputy Commissioner, Kentucky Department of Aviation; Seth Cutter, Director of Communications and Government Affairs, CVG - Cincinnati/Northern Kentucky International Airport; Ethan Witt, Assistant Vice President, Government and Community Relations, Eastern Kentucky University (EKU); Dennis Sinnett, Executive Director, Aviation Department, EKU; Dr. Carey Castle, President and CEO, Somerset Community College (SCC); Chris Hall, Career and Technical Department Chair, SCC; Donnie Hammons, Program Coordinator for Aviation Maintenance Technology, SCC.

LRC Staff: John Snyder, Brandon White, Dana Fugazzi, and Christina Williams

Overview of the Department of Aviation and General Aviation in Kentucky

Mark Carter, Commissioner, Kentucky Department of Aviation (KDA) introduced Brad Schwandt, Deputy Commissioner, KDA who then spoke about the Department of Aviation and general aviation in Kentucky. The Department of Aviation is the Commonwealth's resource for all aviation issues including airport planning, airport project oversight, federal and state airport inspections, fleet services, economic development, unmanned aircraft systems development, and airport zoning.

There are 57 public use airports in Kentucky, four of which are state owned. There are 94 private airports, 114 private heliports, two military air facilities, and one unmanned aerial systems drone port. Based on the 2017 Statewide Aviation System Plan: Economic Evaluation, the state airport system provides 23,392 on-airport jobs at a payroll cost of a \$1.4 billion.

The Kentucky Aviation Economic Development Fund, also known as the Jet Fuel Tax Fund, was established by the state treasury in KRS 183.525. All receipts collected from the sale or use of jet fuel are deposited into the fund and are to be expended. The fund can receive state or federal appropriations, grants, and shall include earnings from investments. Funds are to be used for the development, rehabilitation, and maintenance of publicly owned or operated aviation facilities, and for other aviation programs within the Commonwealth that will benefit publicly owned or operated facilities.

An Airport Pavement Maintenance Allocation totaling \$38.7 million was approved by the General Assembly in fiscal years 2016 through 2020. The fund was intended primarily for pavement maintenance, and received \$10 million per year in General Fund appropriations in FY 2016 and FY 2017. The fund also received \$18.7 million in economic development bonds revenue in the FY 2019 – FY 2020 biennial budget.

The Federal/State Airport Improvement Program (API) is a federal/state local match program where the Federal Aviation Administration (FAA) grants classified airports in Kentucky at least \$150,000 per year in entitlement funds. The airports can save these funds for three years and invest them on the fourth year (for \$600,000 total.) There are 51 airports deemed classified in Kentucky. There are six airports in Kentucky that do not typically receive entitlement funds (due to eligibility)./ The API funds require a 10 percent match. The state provides 7.5 percent of that match and local government provides 2.5 percent. The KDA provided \$4 million in matching funds in Fiscal Year (FY) 2020. The KDA provided \$2.5 million for matching funds in FY 2021.

There is a FAA Discretionary Fund where Kentucky airports may also request additional funding, based on need and FAA funds available. The Kentucky general aviation airports received \$18.5 million from this fund in FY 2021 (not including Covid -19 disbursements.) The standard criteria for airport project selection involves federal and state standards dictating the prioritization of airport projects. The top considerations for these projects include the safety, maintenance, design, and function, as the tolerance for these variances and discrepancies is extremely low. The changes in policy and functionality of airport infrastructure occur often and in many cases are unpredictable. The KDA continually monitors multiple metrics, evaluates airport conditions, and adjusts priorities as required.

Charts were provided that showed the Jet Fuel Tax Fund projects for FY 2021 and FY 2022, and the Airport Maintenance Fund Projects for FY 2021. The Jet Fuel Tax, which

is capped at \$1 million per year, per user, brought in just \$9.28 million in FY 2021 and is expected to bring in \$14.5 million a year. Meanwhile forecasted repair and maintenance needs easily exceed \$20 million per year. The critical need of airport pavement maintenance was discussed. Deputy Commissioner Schwandt stated it was imperative to start the conversation of funding to assist with the backlog of pavement needs. Charts were also provided to show the branch use of the airport maintenance needs as well as the forecasted projects needed.

In order to advance aviation in Kentucky, the priorities must include maintenance and improvement of airports, increasing the number of Kentuckians pursuing careers in aviation, and promoting aviation as a priority and a tool for economic development. The maintenance and improvement for the airports includes eliminating the backlog of runways that require remediation, implementing a consistent runway maintenance program, and broadly investing in airports. Increasing the number of Kentuckians pursuing aviation careers includes coordinating efforts across cabinets such as the Economic Development Cabinet, the Education and Workforce Development Cabinet, and the Kentucky Transportation Cabinet to establish goals for training new pilots, technicians, and other aviation positions. Promoting aviation as a priority, and a tool for economic development includes increasing the focus on the future state of aviation, raising the profile and use of state aircraft by administrative and legislative branch leaders, and prioritizing state aircraft fleet modernization.

For aviation to move forward, runway conditions need to be assessed, a collaboration with the Kentucky General Assembly must occur, and recommendations for investments in aviation/aerospace are being developed. Funding options are also being discussed.

Chairman Ken Upchurch stated he believed Kentucky has a good start in the aviation profession and would like to continue to improve on the groundwork laid to push Kentucky to number one in the aviation industry across the country.

Co-Chair Jimmy Higdon praised the Kentucky General Assembly's Aerospace/Aviation Caucus and encouraged members to participate.

In response to a question asked by Co-Chair Higdon, Deputy Commissioner Schwandt stated the Jet Fuel Tax money goes into a Jet Fuel Tax Economic Fund, which is what is used to improve airport projects. Jet Fuel Tax is a 6 percent per gallon tax. However, this tax is capped at \$1 million per year for each contributor. Once the \$1 million mark is hit, the contributor no longer pays the tax for the remainder of the year. The Jet Fuel Tax could be assessed for corporate, commercial, or cargo jets.

Some planes use aviation gasoline (Avgas), and those funds collected from the use of Avgas go to the General Fund. Every state is different in the handling of jet fuel taxes.

Deputy Commissioner Schwandt added that Kentucky is behind other states in the funding of general aviation.

In response to a question asked by Representative Tina Bojanowski concerning who uses general aviation airports, Deputy Commissioner Schwandt stated general aviation is the backbone of all general aviation systems, as that is where most pilots and mechanics get their start. Different airports, throughout the state, have different missions, such as the Central Kentucky Airport which focuses on training. General aviation is a business gateway and an economic development force: providing the example of when Ford Motor Company made its economic development announcement at the Kentucky Capitol, general aviation airports were utilized by the corporation. Once facilities have been established, general aviation airports can be utilized for troubleshooting between existing businesses when people or parts are needed.

In response to a question asked by Representative Sal Santoro, Deputy Commissioner Schwandt stated general aviation planes such as propeller planes (prop planes) do not contribute to the Jet Fuel Tax Fund, rather they use Avgas which goes to the General Fund. He added that planes that use Avgas are also contributing to the development and upkeep of airports by buying gasoline and renting hangers at those airports.

In response to a question asked by Representative Santoro, Deputy Commissioner Schwandt stated the way states fund their general aviation airports varies.

Presentation from Kentucky's Major Commercial Airports

Seth Cutter, Director of Communications and Government Affairs, CVG-Cincinnati/Northern Kentucky International Airport, shared an update on the collective economic impact, general airport updates, project highlights, and financial updates of Kentucky's three largest commercial airports, Cincinnati/Northern Kentucky International Airport (CVG), Lexington Blue Grass Airport (LEX), and Louisville Muhammad Ali International (SDF). Airports across the Commonwealth are job generators and a front door to Kentucky for businesses and visitors. The airports also support more than 134,000 jobs and have an economic impact of more than \$18 billion per year. For the most recent years available, CVG and SDF alone have generated \$480 million in tax revenues per year. An economic breakdown per airport was provided.

Mr. Cutter gave an update on passenger enplanements at Kentucky's three major commercial airports, which all followed the same pattern. As the Covid – 19 pandemic hit in mid-March 2020, it severely impacted passenger enplanements and that impact bottomed out in April 2020, which has proceeded into a trepid recovery each month since then. Numbers still trail historical averages, with most of this recovered travel demand since the spring of 2020 has been leisure travel, as reflected by the airlines' decisions on routes added or those that remain suspended.

For SDF, 2021 has been an incredible year for air service. As of the spring of 2021, Spirit Airlines began new service to Fort Lauderdale, Orlando, Las Vegas, and Los Angeles. Pensacola was then added to that lineup, and Fort Myers and Tampa begin service with the airline in November. Startup airline Breeze also added service this year to Charleston, New Orleans, and Tampa.

The UPS hub is a major part of the operations at SDF. Mr. Cutter stated that SDF is the fifth busiest cargo airport in the world as of 2020; and air cargo at SDF has been critical to e-commerce, supply chain movements, and vaccine distribution over the last 18 months. Capital projects at SDF included the replacement of several passenger loading bridges at an approximate cost of \$10 million, as well as a terminal upgrade project and ramp expansion that will bring a geothermal system to the facility for nearly \$22 million. Other projects on the horizon include taxiway reconstruction in both 2022 and 2023, and additional mechanical upgrades in the terminal in 2023 for approximately \$65 million.

As for LEX, the facility closed for a weekend in August 2021 for a \$15 million runway resurfacing project. Other future capital projects in 2022 and 2023 include more than \$19 million in safety upgrades to the airfield, which are critical projects.

Mr. Cutter stated CVG passenger travel has been particularly affected by weakened corporate demand. The major ongoing capital project at CVG is the recently opened Amazon air hub, photos of the project were shared, as well as photos of the entire campus to showcase these projects. Similar to SDF, he shared a sample of CVG's appropriated capital projects list. He stated the infrastructure needed to support Amazon, or UPS in SDF's case, is expensive, and is critical to jobs development and being able to have critical economic impact.

Many Kentucky airports have received significant federal funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act of 2021 (ARPA.) The figures of those funds were provided to the committee. Mr. Cutter focused on the 2020, 2021 and 2022 budget years. All airport budgets were reduced in the early days of the pandemic and then saw significant revenue loss (before applying any federal funds.) This continues into 2021 for SDF and LEX, and will be true for CVG in FY 2022.

While the numbers seem daunting, especially when compared to other airports in the state, the pandemic has been very impactful to the airports. Without federal support, required debt service payments, or day-to-day operations, which were required by the FAA throughout the pandemic, the airports would have seen even more serious impacts. Luckily due to the different sources of support, the airports were able to keep the lights on, continue to enable UPS, DHL, and Amazon to carry critical cargo to and from Kentucky, and continue to enable passengers to move around the country and world for business or leisure.

Kentucky airports must continue maintaining the world-class facilities which requires significant funding.

Kentucky's commercial airports operate without annual or ongoing state appropriations. The airports use their own revenues and federal funding to operate and will continue to be prudent fiscal agents to manage these airports. Mr. Cutter stated he looks forward for all the ways to accelerate Kentucky's airports and support the growth of the aviation industry throughout Kentucky.

In response to a question asked by Representative Ken Fleming, Mr. Cutter stated the Gatton College of Business and Economics is studying other state models concerning their Jet Fuel Tax Fund. He added he believed the Gatton study will help answer what the best way to support all of the components that make Kentucky a leader in the aviation industry will be.

In response to a question asked by Representative Buddy Wheatley concerning public versus private funding for airport projects, Mr. Cutter stated commercial airport funding is unique and it depends on the specific project as to how it is funded. He added that out of all of the listed projects, a small amount of what the capital plans show are funded from various sources. Several projects are supported by federal funding based on enplanements. Air cargo factors also play into significant federal funding. He added that CVG, SDF, and LEX have not historically received state funding for capital projects, and that very few projects are funded by private sources.

Aviation Career Training- Eastern Kentucky University (EKU)

Ethan Witt, Assistant Vice President, Government and Community Relations, ECU and Dennis Sinnett, Executive Director, Aviation Department, ECU, updated the committee on aviation career training at Eastern Kentucky University. In 1983 the first aviation related course was offered at ECU, and by 1991 the first Bachelor of Science (BS) degree in aviation was awarded. In 2010 the aviation program was brought under direct control of ECU. Prior to that, the academic side of flight training was being completed by the university and a third party was completing the flight training. The first aircraft was leased by ECU in April of 2010, and in 2013 ECU earned the FAA 1,000-hour Restricted Airline Transport Pilot (R-ATP) authorization. In 2018, the university purchased their first aircraft, a C172.

The Aviation Career Training Program at ECU offers a BS degree in aviation with concentrations in Professional Flight, Aerospace Management, Aerospace Technology, and Unmanned Aircraft systems (starting fall of 2022). Also offered are dual credit courses for secondary aviation pathways, in which 49 Kentucky high schools participate. The courses offered are Introduction to Aviation, Introduction to Unmanned Aircraft, Private Pilot Ground, Private Pilot Flight I, and Private Pilot Flight II. This program offers up to 12 hours of aviation credits and provides advanced standing in the ECU aviation program.

The Aviation Program is one of the fastest growing degree programs at ECU. The university offers the only four-year aviation BS degree program in Kentucky. For the fall 2021 semester, there are 329 students enrolled in the Bachelor of Science in Aviation program, 270 of those students in the Professional Flight concentration, 57 students in the Aerospace Management concentration, and two students in the Aerospace Technology concentration. Of the students, 284 are male, 45 are female, and 18 percent of the students are minorities, while 17 percent of the students are veterans. The program contains students from 23 different states and that number is increasing. The enrollment for the program has doubled in less than four years. A chart showcasing flight hours per year was provided showing in FY 2020 the flight hours were just under 14,000 hours. It is estimated the flight hours will reach 16,000 hours in FY 2021.

The current fleet of aircraft at ECU include 24 single engine aircrafts and three mutli-engine aircrafts. The program currently owns an AISim AI200 MCC, precision flight control PFC-DCX ProMotion, and a virtual reality (VR) flight simulator lab that holds 12 VR sleds available for use. The FY 2021 budget investment from the General Assembly has allowed for the transition from leased aircraft to ECU-owned aircraft, 17 aircraft acquisitions since July 2020, a secured secondary temporary facility to accommodate enrollment growth, and funded construction of a future training center at Central Kentucky Regional Airport.

The ECU and Central Kentucky Regional Airport partnership consists of two board members from ECU that are chosen by the university President. The university serves as the fixed base operator (FBO), essentially running all airport activities. All the employees of the airport are employees of ECU. The ECU airspace and airfield that is used is less than 20 minutes from campus and includes dedicated training areas. The Central Kentucky Regional Airport is the third busiest general aviation airport in Kentucky. The proximity to the LEX control tower is also an advantage.

A drawing of the planned Airport and Flight Training Center was presented. It is the hope that construction on this flight center will begin in early 2022. Eastern Kentucky University forecasts enrollment into the Aviation Program at 400 students by fall of 2022. To support over 400 students, ECU must consider having more than 30 aircraft, the use of the new flight training center with simulators, briefing space, and classrooms, obtain additional staffing, and having satellite fields. Also, the onset of bringing an unmanned aircraft systems concentration into the program will be beneficial.

In response to a question asked by Chairman Upchurch, Director Sinnett stated he anticipates 400 students to be enrolled in the program by fall of 2022. At that point, some other options and space will be needed.

In response to a question asked by Chairman Upchurch, Director Sinnett stated he believes the EKU aviation program with regard to quality of instruction and the end product of professional flight students and flight management students, is on par with any of the major universities or top flight schools in the nation. He added that they receive feedback from regional airline carriers that are very impressed by the quality of the students that EKU is producing. As for the recruiting of students, there has been a challenge due to the dated infrastructure, which makes it difficult to compete with other top-notch programs. He added the new Flight Training Center will help with that issue.

In response to a question asked by Senator Karen Berg, Director Sinnett stated approximately 99 percent of graduates find employment in their perspective fields upon graduation.

In response to a second question asked by Senator Berg, Director Sinnett stated the return on investment for this program is reasonable. He stated the cost of the program is approximately \$58,000 for flight fees, which does not include tuition or books. The average starting salary for pilots out of the first year is \$55,000 to \$60,000 annually. He added that most are also getting between a \$5,000 to \$10,000 signing bonus with regional airlines.

In response to an additional question asked by Senator Berg, Director Sinnett stated attracting females and minorities to the aviation industry is an area of focus for the university. He added there is a student organization called Women in Aviation, of which EKU has a chapter. Scholarships are also provided for women and minorities in order for the university to stay competitive.

Aviation Career Training- Somerset Community College (SCC)

Dr. Carey Castle, President and CEO, Somerset Community College (SCC); Chris Hall, Career and Technical Department Chair, SCC; and Donnie Hammons, Program Coordinator for Aviation Maintenance Technology, SCC, updated the committee on aviation career training at SCC.

There are currently 4,160 citizens employed in aviation maintenance technology in Kentucky. The average annual salary of these employees is \$64,925. There are currently 86 job postings in this field in Kentucky. Employment trends for this field have included a 1.9 percent growth from 2018 to 2021 and currently has a projected growth of 3.8 percent from 2021 to 2025. The top occupations by income include aircraft structure, surfaces, rigging, and systems assemblers at an average income of \$74,194 annually, and aircraft mechanics and service technicians at an average income of \$55,656 annually.

The degree, diploma, or certificate options offered by the SCC program include an Airframe Maintenance Technician certificate, a Power Plant Maintenance Technician certificate, an Airframe and Power Plant Maintenance diploma, an Associates of Applied

Science degree in Aviation Maintenance Technology. The Aviation Program is available under the Work Ready Scholarship.

Somerset Community College is playing a strategic role in addressing the growing demand for skilled workers through their career and technical programs, specifically in Aviation Maintenance Technology. Enrollment in SCC's Aviation Maintenance Technology is steadily rising. The need for additional offerings and classroom space to accommodate the needs of the students and community was recognized by SCC, and they are now offering additional evening classes to fulfill the workforce needs.

Also offered at SCC is the Veterans Accelerated Learning for Licensed Occupations Initiative, (VALLO), which assists veterans during the transition into civilian life by helping them get FAA certified. It was also noted that the number of females involved in the aviation industry has steadily increased and woman can be found in nearly every aviation occupation today.

There are several employers that are hiring SCC's Aviation Maintenance Technology graduates, such as PSA Airlines; FEAM Maintenance, Repair, and Overhaul; Lockheed Martin; Thoroughbred Aviation; medical helicopter bases across Kentucky; Wheels Up; and private airline companies. The instructors at SCC are credited with the success of the program as they have over 60 years of real-world experience.

In response to a question asked by Representative Derek Lewis, Mr. Hall stated they are finding it difficult to find qualified instructors.

In response to a question asked by Representative Fleming concerning the ability to pull together all the community college programs available regardless of the discipline within the aviation maintenance program arena, Mr. Hall stated all 16 of the Kentucky Community and Technical College System (KCTCS) college courses count the same. He added the only other community college that teaches aviation maintenance program coursework is Jefferson Community College.

With no further business to come before the committee, Chairman Upchurch adjourned the meeting at 2:55 P.M.