



**Statement of
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**Statement of
Karen S. Ramsdell
Airport Director
Santa Barbara Municipal Airport
Before the
Subcommittee on Aviation
Committee on Transportation and Infrastructure
U.S. House of Representatives
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Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee on Aviation, thank you for inviting me to participate in this hearing on the Administration's proposal to reauthorize the Federal Aviation Administration's Airport Improvement Program. In addition to serving as airport director at the Santa Barbara Municipal Airport, I am an active participant in the American Association of Airport Executives (AAAE) Airport Legislative Alliance.

The Santa Barbara Airport (SBA) is a small hub airport located on the California coast about 100 miles north of Los Angeles World Airport. Santa Barbara Airport's primary market is Santa Barbara County with a population of about 400,000 residents. The Airport is comprised of 952 acres of land, almost half of which is an ecological reserve and not available for aviation use. The remaining land dedicated to aviation use is in the California Coastal Zone. I mention this because it ties directly to the cost and time it takes to construct a project which also relates to rising construction costs.

Santa Barbara's Airline Terminal was last expanded in 1976 to its current building size of 20,000 square feet. At that time passenger enplanements totaled 200,000. Although the building size has not increased the number of passengers has grown.

Santa Barbara had 414,000 enplanements in CY 2006 which ranks in the top quarter of the Nation's Primary and Non-Primary Commercial Service Airports. The FAA is predicting that enplanements will increase from approximately 740 million in 2006 to more than one billion passengers in 2015 and more than 1.2 billion by 2020 at average annual increase of 3.5%. According to the FAA's Terminal Area Forecast, passenger enplanements at Santa Barbara are expected to increase from approximately 414,000 in 2006 to approximately 601,000 in 2020 – a 45.2% increase.

The current Terminal facilities have outlived their useful life and do not meet current needs, let alone meet the needs for forecasted 2020 enplanements at the 600,000 level.

In 2002, the Airport's Master Plan and environmental documents were approved after many years of environmental hurdles. The Master Plan includes two major projects: constructing standard FAA runway safety areas on the main commercial runway by re-routing a creek and shifting the runway 800 feet to the west; and construction of a new 67,000 square foot airline terminal.

Santa Barbara's only sources of funding for airfield infrastructure and terminal improvements is AIP Entitlement and Discretionary funds, Passenger Facility Charge revenues, and debt financing. We use a portion of the PFC revenues to provide the local match for AIP grants.

Over the past two decades Santa Barbara has received \$71 million in entitlement and discretionary grants. These grants have funded mostly airfield infrastructure projects that improve airport safety, compliance with new FAA standards for lighting, signage, etc. and replacement of aging infrastructure.

The proposed five-year ACIP for FY 2008-2012 totals **\$61 million**. The projects in the ACIP are related to airfield safety and to accommodate capacity for passenger growth at the Airline Terminal.

The **Airfield Safety Projects** are three projects that are in direct response to national safety priorities to provide standard safety areas at runway ends and to reduce the risk of runway incursions. The total cost of these projects is \$35 million and is funded by AIP Entitlement and Discretionary grants with the \$1.75 million local match coming from PFC revenue.

Santa Barbara's top priority project is to extend the safety areas at each end of the main commercial runway to current FAA standards. The first phase of the Runway Safety Area Project was constructed last summer and, with approval of our FY 2007 grant request, we will complete the second phase of construction this summer.

The remaining two projects address runway incursions issues at Santa Barbara by constructing a new general aviation taxiway and realignment of an existing general aviation taxiway.

The **Airline Terminal Expansion Project** is a long overdue replacement of a 67 year old Terminal which was last expanded in 1976 to its current 20,000 square feet. Santa Barbara's passenger enplanements have increased over 100% since 1976. The project cost is estimated to be \$63 million. This project will be funded from AIP Entitlement grants, debt financing, and PFC revenue to back the project bonds. Since the Project's significant cost will draw heavily on Santa Barbara's financial resources we had originally planned to allocate only 80% of PFC revenue for this project leaving the remaining 20% to be allocated to other airfield infrastructure projects in our ACIP over the next 10 years.

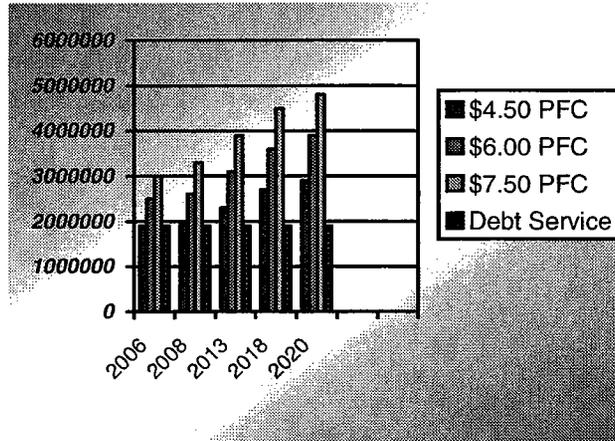
In order to accommodate increasing passenger levels at Santa Barbara and at airports around the country, it is imperative that Congress:

Increase the Passenger Facility Charge to \$7.50 with Indexing for Increased Construction Costs:

The local Passenger Facility Charge is an important tool available to airports to address critical infrastructure needs. Since Congress last increased the federal cap on PFCs in 2000, capital needs have grown at airports across the country and skyrocketing construction costs have greatly eroded the purchasing power of PFCs, necessitating an increase in the cap to \$7.50 and a mechanism for further adjusting that level based on increased construction costs. The Administration's FAA reauthorization provides a step in

the right direction with a request for an increase in the PFC to \$6. Airports believe that figure should be higher given increasing traffic levels and unmet capital needs that exist at airports across the country.

The chart below illustrates PFC revenue produced for Santa Barbara based on forecasted passenger enplanements through 2020 at the current PFC level of \$4.50, the Administration's proposed \$6.00, and AAAE's requested \$7.50. Also included in the chart is the annual debt service for the Terminal project that is scheduled to be paid with PFC revenue.



Because construction costs for the Airline Terminal Project have increased significantly, all annual PFC revenues are now scheduled to be applied to debt service.

With continued rise in construction costs the additional revenue above what is needed for annual debt service will have less purchasing power for Santa Barbara's other eligible capital needs. At the \$4.50 level, if Santa Barbara's PFC revenue is growing about 3.2% per year consistent with the forecasted growth in enplanements and if it is assumed (for simple illustrative purposes) that construction costs continue to increase at an annual rate of 5% or greater, the purchasing power of those revenues is seriously eroded.

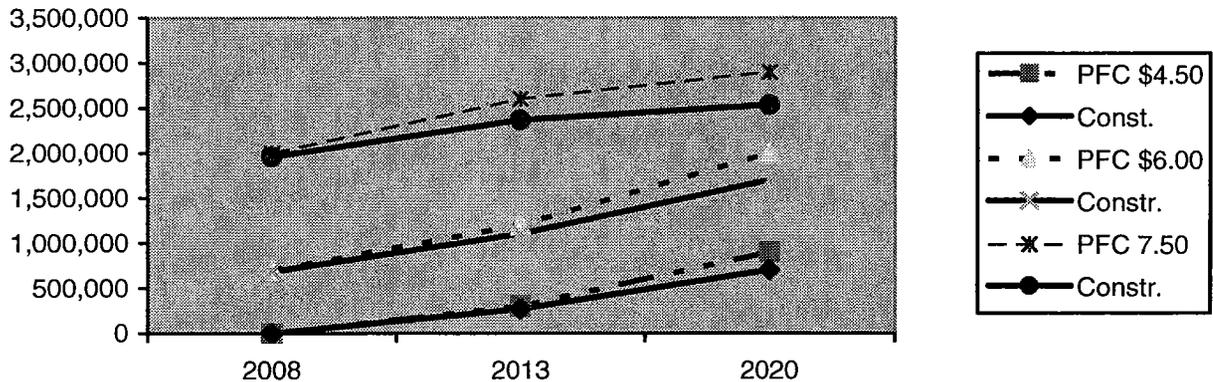
At Santa Barbara the current \$4.50 PFC level will generate just enough revenue in 2008 to pay the annual debt service on our Airline Terminal Project. So each year that PFC revenue exceeds the amount needed for debt service those funds can be directed towards the Airport's other eligible capital needs and the local match for AIP grants. At the \$4.50 level it will be 2013 before Santa Barbara sees a modest increase of \$300,000 in PFC collections above the amount dedicated to debt service and 2020 before it reaches a significant level (\$900,000) above debt service. Applying the increased cost of construction will reduce the purchasing power of the \$900,000 to about \$702,000.

With both the proposed \$6 and \$7.50 PFC levels, Santa Barbara would exceed the amount needed for debt service in 2008. By 2013 \$1.2 million and \$2.6 million respectively would be collected above the amount needed for debt service. And by 2020 the collections above the amount needed for debt service would be \$2 million and \$2.9 million respectively. Even though there will be erosion of the purchasing power of these dollars it is mitigated by the increased PFC collections. Again, the PFC collections above

the amount Santa Barbara will need for annual debt service on the Airline Terminal will be directed towards the AIP match and funding for other eligible capital projects.

The chart below illustrates PFC revenues for Santa Barbara generated above the annual debt service through 2020 at the \$4.50, \$6.00, and \$7.50 levels. Santa Barbara's PFC revenues track with the annual passenger count. Using the annual forecasted enplanement growth of 3.2% and, for illustrative purposes, an estimated annual increase in construction costs of 5%, the purchasing power of the PFC dollars is eroded by 1.8% per year. Inflation costs which have not been factored in would just further erode the Airport's purchasing power.

Erosion of PFC Value Due to Increasing Construction Costs



Below is an example of the rising cost of asphalt for airfield construction. It further demonstrates the skyrocketing cost of construction that reduces the purchasing power of the federal dollars received by the airport.

The chart compares the unit cost increases for asphalt at Santa Barbara Airport from 2001- 2007. During this period asphalt unit costs have risen 36% while inflation has risen 18%. Santa Barbara's AIP Entitlement dollars have increased only 3% over that same period of time.

Runway and Taxiway Construction Cost Increase

June 2001	Feb 2005	July 2005	March 2007	% Increase
Taxiway A Overlay	Runway 7-25 Overlay	Taxiway M Construction	Taxiway B/Runway 7-25 Relocation	
\$58/ton	\$71/ton	\$75/ton	\$79/ton	36%/ton of asphalt
CPI June 2001 178.9			CPI June 2006 211.1	17.99%

Increased Funding for AIP:

The Airport Improvement Program was authorized at \$3.7 billion for fiscal year 2007. In order to keep up with increasing demands and construction costs, it is critical that Congress provide additional funding for AIP beyond the \$3.7 billion level that was authorized for FY 2007. Specifically, airport executives encourage Congress to increase funding for AIP as it has in the previous two FAA reauthorization bills. At the very least, funding should be increased to keep up with increased construction costs. Doing so would translate into \$3.8 billion for AIP in FY 2008, \$4 billion in FY 2009, \$4.1 billion in FY 2010, and \$4.3 billion in FY 2011. Congress should also continue the budget protections that help ensure that the program is funded at the fully authorized amount.

The Administration's FAA reauthorization proposal calls for only \$2.75 billion for AIP, nearly \$1 billion below the authorized level for FY 2007. That figure is woefully inadequate given the vast needs that exist for capital improvements at airports across the country.

At Santa Barbara additional resources are critical and would be used to complete construction of the Runway Safety Area Project (\$15 million) and for the Airline Terminal Project (\$63 million) to increase funding of eligible portions of the project. Additional funding for the Project will decrease the amount of debt the Airport will incur.

Any reduction in AIP Entitlement dollars can dramatically impact a project for a small airport. In the case of Santa Barbara's Airline Terminal Project we anticipated the use of \$11.6 million of AIP Entitlement over the next 5 years. If our Entitlement is reduced by 13% in fiscal year 2008 as would be the case if the Administration's reauthorization plan were adopted, Santa Barbara would lose \$300,000, which would have a significant impact on this project. We have used every revenue source available to the Airport and have cut the project building size because of the inflationary cost of construction. If we reduce the project building size any more we will not have a project. That does not serve our community or the nation's air transportation system.

Specific Issues of Concern in Administration's FAA Reauthorization Proposal

The Federal Match for AIP Projects:

Vision 100 included a provision that increased the federal share for small hub and smaller airports from 90 percent to 95 percent through FY 2007. The Administration's FAA reauthorization proposal would allow that provision to expire and return the federal share to a maximum of 90 percent for many small airports. Small communities around the country often find it difficult to come up with a 5 percent local matching share. Increasing their required contribution to 10 percent might prevent certain small airports from moving forward with planned construction.

The 95% match has eased the burden on small airports. The difference between a 10% match and a 5% match can mean the difference on whether a project is constructed. At Santa Barbara the cost of the Airfield Safety Projects totaled \$35 million. Even at a 5% match the dollars were significant. At 10% it is possible that these priority safety projects would have been delayed.

The reduction of the AIP match increases the effectiveness of the limited financial resources available to small airports. As Santa Barbara embarks on its Airline Terminal Project to meet future passenger growth, every dollar is needed to complete this project and to be able to continue the maintenance and replacement of airfield infrastructure over the long term.

Conclusion

Chairman Costello, Ranking Member Petri and members of the House Transportation and Infrastructure Subcommittee on Aviation, thank you for inviting me to appear before your committee to discuss the Administration's FAA reauthorization proposal. It is an honor to represent the view of a small hub airport and more specifically the Santa Barbara Airport. I urge you to continue to assist airports of all sizes to keep pace with the increasing passenger demand and skyrocketing construction costs by raising the PFC cap and increasing AIP funding. These actions will have an impact at Santa Barbara Airport by improving safety and increasing Airline Terminal capacity to meet growing passenger demands.