



Mark Gordon  
Governor

# WYOMING *Aeronautics Commission*

DEPARTMENT OF TRANSPORTATION

Bruce McCormack, Chairman

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## EDUCATION SESSION MINUTES

An education session for the Wyoming Department of Transportation (WYDOT) Aeronautics Commission was held on May 16 and 17, 2023. The workshop consisted of tours of five different airports in central/northwest Wyoming and an air service development workshop.

*The following commission members were present, constituting a quorum.*

Dean McClain, Commissioner, District 1	Steve Maier, Commissioner, District 5
Bill DeVore, Commissioner, District 3	Randy Harrop, Commissioner, District At-large
Bruce McCormack, Chairman, District 4	Darin Westby, Ex Officio, WYDOT Interim Director

*The following WYDOT staff were present and participated in the workshop.*

Brian Olsen, Aeronautics Administrator	Mariah Johnson, Air Service Development Manager
Cheryl Bean, Planning & Programming Manager	Kimberly Chapman, Commission Secretary
Phillip Hearn, Engineering & Construction Manager	

Other attendees included: Doug Blissit, Managing Director of Air Service Consulting, Mead and Hunt; MacKenzie Sewell, Assistant Attorney General; Sheri Taylor, UAS Manager, WYDOT; Tiffany Romero, Grants and Programming Specialist, WYDOT; Tim Dolan, Airport Engineer, WYDOT; Lynn Murdoch, Airport Manager, Worland Municipal Airport; Carson Rowley, Project Manager, Ardurra; Nathan Messenger, Airport Manager, Hot Springs County Airport; Dustin Spomer, Aviation Services Deputy Director, Ardurra; Tim Schell, Airport Manager, Dubois Municipal Airport; Kevin Ensor, Aviation Project Manager, KLJ Engineering; Paul Griffin, Airport Manager, Central Wyoming Regional Airport; Kyle Butterfield, City Administrator, City of Riverton; Chris Johnson, Airport Manager, Airport Manager, Hunt Field (Lander); and John Larson, volunteer, Hunt Field.

**Tour of Worland Municipal Airport**

The commission and WYDOT staff were given a tour of the Worland Municipal Airport on Tuesday, May 16, 2023. Ms. Murdoch and Mr. Rowley showed the group the terminal, new airport gate, and SRE building. They shared some of the airport’s challenges including a malfunctioning broom sweeper truck.

The tour concluded at 3:30 p.m. and the group travelled to Thermopolis.

### **Tour of Hot Springs County Airport**

Messrs. Spomer and Johnson, with assistance from the Hot Springs County commissioners, shared some of the airport's hopes for future projects at the airport including connection to the city's water and sewer system and updated mowing equipment. The group was given a tour of airport grounds including hangars, aprons, and runway.

Upon the tour's conclusion at 5:00 p.m., the group spent the night in Thermopolis.

### **Tour of Dubois Municipal Airport**

The group travelled to Dubois for a tour of the Dubois Municipal Airport at 10:00 a.m. on Wednesday, May 17, 2023. Messrs. Schell and Ensor shared information about past and future projects at the airport including an expansion of the general aviation apron. The tour of the grounds included the SRE building, apron, and taxiway.

At the tour's conclusion at 10:50 a.m., the group travelled to Riverton.

### **Tour of Central Wyoming Regional Airport**

Mr. Butterfield gave a presentation on the history of the Central Wyoming Regional Airport. Mr. Griffin showed the commission the upgraded TSA checkpoint and gate area, runway, and hangar space. He shared that the airport hopes to expand the terminal and secure waiting area in the future.

Upon conclusion of the tour around 1:30 p.m., the group travelled to Lander.

### **Tour of Hunt Field**

Mr. Johnson and Mr. Larson discussed the history of the airport and some of the challenges it faces, including limited space for growth due to its location. The group was shown the FBO, apron, taxiways, and runway.

The group then travelled to the Holiday Inn Express for the air service development workshop.

### **Air Service Development Update**

Ms. Johnson updated the commission on air service development programs, ahead of the approval of the Air Service Enhancement Program applications at the business meeting on May 18<sup>th</sup>.

#### *Air Service Enhancement Program (ASEP)*

The ASEP was created by the Wyoming legislature in 2004 to enhance and improve reliable commercial air service. Originally the program was allocated \$3 million per year, but the funding has decreased to \$1.3 million per year.

The ASEP is a grant program to help communities (financially) support critical, new, or existing commercial air service. Airport sponsors apply to the commission for funding and the division uses a priority rating model (PRM) to review/score applications in order to make funding recommendations to the commission. The PRM uses four criteria to determine the likely success of a proposed project including statutory benefit, economic benefit, community involvement, and differentiating characteristics.

The percentage of required, local match depends on whether the proposed air service is primary or growth. Primary air service is up to twice-daily, industry-standard, reliable service to a hub airport. Growth air service is additional flight frequency to one hub airport, daily service to additional hub(s), or seasonal service. Applicants for critical service must provide a 40 percent match and growth service requires a 60 percent match.

Following a question from Commissioner McClain, Ms. Johnson said that the state statutes forming the ASEP outline six intended benefits of the program. The ASEP should increase minimum number of enplanements, increase passenger enplanements at commercial service airports, increase frequency or sustaining flight operations from Wyoming commercial service airports to regional hubs, increase the number of passengers originating flights at Wyoming airports, increase consistency of service, and lower air fares.

Following a question from Chairman McCormack, Mr. Olsen shared that ASEP funding was decreased to \$1.3 million in 2009.

#### *Capacity Purchase Agreement (CPA)*

In 2018, the state recognized that the ASEP funding model would not be a sustainable, long-term approach to support air service due to industry challenges (pilot shortage, declining use of regional jets, etc.). A task force formed to investigate possible solutions suggested the creation of the CPA.

The goal of the CPA is to provide participating communities with reliable, efficient, and cost-effective air service. The CPA was the first public, long-term agreement for commercial air service. Chairman McCormack noted that these types of agreements were typically between airlines, and not with public agencies/entities.

Wyoming entered into an agreement with SkyWest Airlines in 2019 with four participating airports: Gillette, Riverton, Rock Springs, and Sheridan. The agreement is a three-year term, with the option to renew for 10 years. The second three-year term began in June 2022. Fifteen million dollars was appropriated in 2019 to fund the state share of the program and each participating community provides a 40 percent match.

The CPA was instrumental in Wyoming retaining air service during the COVID-19 pandemic. Chairman McCormack stated that Wyoming's strong relationship with SkyWest and United Airlines also helped with air service retention. Ms. Johnson reported that since the start of the pandemic, there have been 72 station exits by legacy airlines nationally. Mr. Blissit estimates there are three to four new exits every quarter.

Following a question from Commissioner Harrop, Ms. Johnson described the differences between the two programs. For the CPA, the division negotiates a contract with the airline for all four participating communities and the airports sign memorandums of understanding with WYDOT. The ASEP-funded airports work individually with an airline to set rates for certain routes for the year/season before approaching the commission for a portion of the funding. The airports will enter into a contract directly with the airport.

Chairman McCormack clarified that both programs are minimum revenue guarantees, but the CPA allows the commission and division to negotiate certain aspects of air service. For example, the CPA contract includes reliability parameters to ensure greater accountability from the airlines. Another difference is that the CPA is a multi-year contract and the ASEP must be renewed annually.

Following a question from Commissioner Harrop, Chairman McCormack and Mr. Olsen shared that WYDOT would like to request more funding for the ASEP, but such a request must be made at the appropriate time and in the right political climate. Mr. Olsen reminded the commission that the CPA was funded by a one-time \$15 million appropriation while ASEP is a line item in WYDOT's legislative budget. ASEP funding comes from federal

mineral royalty state disbursements. Increasing spending authority on budget items is not always easy, but Governor Gordon and the legislature are generally supportive of air service development.

Commissioner Maier joined the meeting.

Mr. Olsen reminded the group that research shows that aviation generates \$2 billion of economic impact in Wyoming annually. Around \$1.5 billion of that total is related to commercial air service.

#### *Challenges to Maintaining Air Service*

Ms. Johnson reported that the pilot shortage is limiting growth opportunity, especially in the smaller markets. Due to the shortage, Riverton and Rock Springs are down to one flight a day since early 2022, and Gillette and Sheridan are down to 12 flights a week. The pilot shortage is expected to continue into 2024.

Rising fuel and labor costs are compounding the unit costs for the smaller, regional jets. These economic factors are forcing airlines to use larger-density aircraft and fewer flights are operated on 50-seat jets, which are the main aircraft used to serve Wyoming markets.

While the U.S. airline industry is currently doing much better than the previous three years, the airlines reported a \$600 million loss for the first quarter of 2023. Mr. Blissit shared that the airlines tend to make the most profit from markets with long-haul, high density aircraft. The average number of seats per aircraft for the U.S. industry is 40 percent higher than a decade ago. This dynamic is putting more pressure on the markets that can only sustain 50- or 70-seat aircraft.

The regional airline industry, which serves Wyoming, is facing mounting pressure from increasing costs. In addition to rising fuel costs, the regional airlines had to double the pilot pay rates and provide substantial raises to airplane mechanics. Mr. Blissit stated that while the airline industry is doing better, it is highly debatable that the smaller markets are doing better.

Ms. Johnson reported that the division is closely monitoring a situation that could negatively impact Wyoming. SkyWest Airlines has applied for a Part-135 license, which would allow SkyWest to convert 50-seat jets into 30-seat jets and lower capacity to Wyoming markets. It has not yet been approved by the U.S. Department of Transportation. The division is communicating regularly with SkyWest on this issue and how it would impact Wyoming, if approved.

WYDOT Aeronautics received \$8.8 million of state-only American Rescue Plan Act funds for the CPA to mitigate inflation due to COVID-19. The funds are available in 2022, 2023, and 2024, so the division is trying to use the funds in a timely and responsible manner.

At the request of the commission, Ms. Johnson created new reports detailing quarterly costs per passenger for each of the CPA airports and monthly load factors. Drafts of these reports were supplied to the commission for their feedback.

Ms. Johnson shared recently compiled data on state expenditures for the ASEP and CPA. The tables compared the annual cost of each program, per airport, since its inception. Following a question from Interim Director Westby, Ms. Johnson reported that ASEP requests from the last several years have come in far under budget from the amounts requested and granted.

Commissioner DeVore suggested a sending out a press release at the end of the fiscal year, detailing program outcomes and accomplishments.

Following a question from Commissioner Harrop, Ms. Johnson shared that the division has given thought to the future availability of ASEP funds. She believes there may come a time when airports are instructed to decrease requests, or requests may be denied. This reality informs the division's ASEP budget forecasting, and Ms. Johnson closely monitors the ASEP budget to ensure continued support to air service while maintaining a reserve for additional requests. Ms. Johnson stated that she also works with the airports to identify alternate ways to support air service and move routes toward self-sufficiency.

Mr. Olsen shared that the May ASEP request deadline was instituted to allow the commission to consider requests simultaneously in order to better make informed and fiscally responsible decisions.

Mr. Blissit reiterated that the dynamics of the economic model for the U.S. airline industry have dramatically changed. These changes have pushed the airlines toward using larger aircraft, leaving behind smaller and mostly rural markets. Delta and United Airlines are the only two major carriers that have 50-seat aircraft in their regional liveries, which limits Wyoming's options. He applauded the CPA and said that several states hope to replicate it.

Chairman McCormack thanked the staff for organizing the session and adjourned the meeting at 5:35 p.m.