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LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol, Room 446
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Written Comments

HCR131

URGING THE FEDERAL AVIATION ADMINISTRATION AND STATE DEPARTMENT OF TRANSPORTATION TO ENCOURAGE AND FACILITATE THE EXPANSION OF ALTERNATIVE AIRLINE SERVICES THAT UTILIZE SHORT TAKEOFF AND LANDING-CAPABLE AIRCRAFTS AND REQUESTING THE LEGISLATIVE REFERENCE BUREAU TO CONDUCT A STUDY ON THE FEASIBILITY AND IMPLEMENTATION OF A RURAL AIR SERVICE PROGRAM.

Charlotte A. Carter-Yamauchi, Director
Legislative Reference Bureau

Presented to the House Committee on Transportation

Tuesday, March 25, 2025, 9:10 a.m.
Conference Room 430

Chair Kila and Members of the Committee:

Good morning, Chair Kila and members of the Committee, my name is Charlotte Carter-Yamauchi, and I am the Director of the Legislative Reference Bureau (Bureau). Thank you for providing the opportunity to submit written comments on H.C.R No. 131, Urging the Federal Aviation Administration and State Department of Transportation to Encourage and Facilitate the Expansion of Alternative Airline Services That Utilize Short Takeoff and Landing-Capable Aircrafts and Requesting the Legislative Reference Bureau to Conduct a Study on the Feasibility and Implementation of a Rural Air Service Program.

The purpose of the measure is to:

- (1) Urge the Federal Aviation Administration and State Department of Transportation to encourage and facilitate the expansion of alternative airline services that utilize short takeoff and landing-capable aircrafts to better serve rural and remote communities in the State;

- (2) Urge the State Department of Transportation to investigate potential incentives, partnerships, and regulatory changes to encourage and facilitate the operation of short takeoff and landing aircraft to serve rural communities; and
- (3) Request the Legislative Reference Bureau to:
 - (A) Conduct a study on the feasibility and implementation of a rural air service program in the State, identifying the best options for such programs, including funding mechanisms, regulatory considerations, and potential airline partnerships, including public-private partnerships; and
 - (B) Submit a report of its finding and recommendations, including any proposed legislation, to the Legislature no later than twenty days prior to the convening of the Regular Session of 2026.

The Bureau takes no position on this measure; however, we have very serious concerns about our ability to conduct the requested study and submit the following comments for your consideration.

As a general matter, the Bureau notes that it lacks any of the specific subject matter expertise necessary to conduct the requested study. We do not presently have any staff with specific expertise in, particular knowledge of, or experience in matters relating to air transportation, aircraft, the airline industry, public-private partnerships, transportation financing, or the unique economic issues involved in providing air service to rural communities. In particular, we have no knowledge of or familiarization with the complexities of the various methods and financial instruments used to fund the acquisition, operation, and expansion of transportation-related assets and services. Accordingly, while the Bureau may be able to factually summarize the Essential Air Service program and describe how it is implemented in Montana and Alaska, we would not be able to comment on "the feasibility and implementation of a rural air service program in the State," or to identify "the best options for such programs, including funding mechanisms, regulatory considerations, and potential airline partnerships, including public-private partnerships."

Because the Bureau does not have the subject matter expertise to conduct the study requested by this measure, we would need to contract the services of experts to meet this measure's objectives. However, the Bureau's budget does not contain the necessary funds to contract such services, and funding cannot be appropriated through a concurrent or single chamber resolution. Accordingly, we would require additional funding sufficient to cover the contracted study services to be provided to us through a bill. Further, as we are required to adhere to the State Procurement Code in contracting these services unless we are specifically exempted, the present timeframe proposed in the measure is woefully insufficient. Accordingly, even if sufficient funding is provided, it is highly improbable that the Bureau will be able to scope such an undertaking, craft a Request for Proposals, select a contractor, receive and approve

the contractor's work product, and deliver it to the Legislature all within the 2026 timeframe presently provided in this measure.

The Bureau notes that the measure, in pertinent part, urges the State Department of Transportation to "investigate potential incentives, partnerships, and regulatory changes to encourage and facilitate the operation of short takeoff and landing aircrafts to serve rural communities." Given the State Department of Transportation's existing research-related responsibilities under this measure, and its long-established experience and expertise relating to the airline industry through its Airports Division, it would appear more appropriate for the Committee to request the State Department of Transportation, rather than the Bureau, to conduct the requested study and submit the subsequent report to the Legislature.

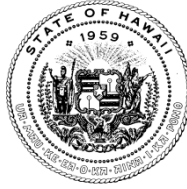
However, if the Committee still believes the Bureau's participation in this matter is necessary, the Bureau respectfully requests that the measure be amended to limit the scope of the study by the Bureau to a factual summary of:

- (1) The federal Essential Air Service program; and
- (2) How the program is implemented in rural areas of Montana and Alaska.

If the scope of the study is narrowed in the manner described above, then the Bureau believes that the services requested under the measure would be manageable, provided that the Bureau's interim workload is not adversely impacted by too many other studies or additional responsibilities, such as conducting studies, writing or finalizing other reports, drafting legislation, or any combination of these for the Legislature or for other state agencies, task forces, or working groups that may be requested or required under other legislative measures.

Thank you again for your consideration.

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March 25, 2025
09:10 A.M.
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H.C.R. 131 & H.R. 127
URGING THE FEDERAL AVIATION ADMINISTRATION AND STATE DEPARTMENT
OF TRANSPORTATION TO ENCOURAGE AND FACILITATE THE EXPANSION OF
ALTERNATIVE AIRLINE SERVICES THAT UTILIZE SHORT TAKEOFF AND
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REFERENCE BUREAU TO CONDUCT A STUDY ON THE FEASIBILITY AND
IMPLEMENTATION OF A RURAL AIR SERVICE PROGRAM

House Committee on Transportation

The Department of Transportation (HDOT) provides **comments** on this measure.

HDOT is already working with potential new private air carriers that will add capacity to the commuter airlines flying in Hawaii. These private entities are currently applying for their federal certifications and approvals to operate in the State of Hawaii. These entities have also applied to become an essential air service provider for Molokai and Hana. Other rural airports are currently being serviced by a reliable air carrier. Other rural airports with less air transport demand may have to depend on air charter services. HDOT is actively working to accommodate additional commuter airline carriers at selected commercial airports which will include check-in counters, passenger hold areas and additional gates. sustainability and market demand.

As an airport operator receiving federal funding, HDOT is subject to Federal Aviation Administration (FAA) grant assurances that prohibit the direct subsidization of air carriers. Establishing a state-funded subsidy program within HDOT would conflict with these federal requirements and could jeopardize HDOT's eligibility for federal funding.

Rather than providing direct subsidies, HDOT is actively working to procure an air charter service contract that will enable the State to support the transportation of high-priority travelers, including medical personnel, patients, and other essential service providers, to and from Molokai.

Further to address the immediate needs and concerns, HDOT is talking to other commuter airlines that have communicated their interest to enter the Hawaii market to offer another alternative for Molokai and Lanai residents as well as other rural airports throughout the State's airport system.

HDOT however does not support, based on previous research, the expansion of MKK runway because of the following.

- FAA Benefit-Cost Analysis would not justify the expansion of the runway at MKK.
- We could not get a commitment from a non-commuter airline to have scheduled service to Molokai.
- If we could get a non-commuter airline to fly to Molokai, we would need TSA at the airport, Will TSA be able to staff and provide equipment to the island again?
- In 2018, DOT signed a Memorandum of Agreement (MOA) with Pulama Lana'i to extend the runway at Lana'i Airport by 500 feet. Pulama Lana'i through a letter dated May 31, 2024, informed DOT that the "estimated cost is too high for us to justify 500 feet of asphalt paving and related improvements. Consequently, we are writing to inform you that we would like to move forward with **terminating** the MOA".
- The improvements to MKK would include not only a 1,500 feet extension but, an additional 50 feet to the width of the runway

Thank you for the opportunity to provide testimony.

HCR-131

Submitted on: 3/21/2025 2:30:43 PM

Testimony for TRN on 3/25/2025 9:10:00 AM

Submitted By	Organization	Testifier Position	Testify
Frank Schultz	Individual	Support	Written Testimony Only

Comments:

I support this initiative.