TRANSPORTATION CABINET
Frankfort, Kentucky 40622
www.transportation.ky.gov/

Steven L. Beshear
Governor

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Office of the Secretary

Official Order 105015

State Aircraft Usage Fees

The mission of the Flight Operations Branch of the Capital City Airport Division within the Department of Aviation is to provide safe, satisfying, reliable, and efficient on-demand air transportation to state officials and employees traveling on official state business.

Therefore, in accordance with KRS 36.410 (2), the Kentucky Transportation Cabinet hereby establishes the policies and procedures herein that shall govern the fees charged for usage of aircraft owned and operated by the Kentucky Department of Aviation.

1. **ACCOUNTING FOR AIRCRAFT COSTS** The costs associated with the state aircraft program shall be accumulated to recover the costs of operating government aircraft. Aircraft costs are calculated annually to arrive at an operating cost per flight hour. The following format calculates the cost of operation for the state aircraft fleet. All costs are recorded in detail annually, and calculations are based on a 3- to 5-year average.

   This format addresses only the cost of operation of the aircraft, not ownership costs. The costs of ownership cover debt service, depreciation and appreciation, and other costs that the state incurs to own the aircraft, whether they are flown or not. This format is based on the "cost per hour" method. The items listed below under fixed, variable, and periodic operating costs are considered when calculating operating costs to determine usage rates:

   a. *Variable Costs*—The variable costs of operating aircraft are costs that vary depending on how much the aircraft are used. The specific variable cost elements include:

      (1) Crew costs—These costs, which vary according to aircraft usage, consist of travel expenses (particularly reimbursement of subsistence, i.e., per diem and miscellaneous expenses), overtime charges, and wages of crew members hired on an hourly or part-time basis. Pilot time, up to the first 7.5 hours, is included in the aircraft hourly rate. The 7.5 hours includes 1-hour preflight for each pilot, the actual flight time for each pilot, wait time at the out location for both pilots, and 45-minute post-flight for each pilot.

      (2) Fuel and other fluids—These pertain to costs of aviation gasoline, jet fuel, and other fluids (i.e., engine oil and hydraulic fluids) consumed by aircraft.

      (3) Landing and tie-down fees—These pertain to usage of the aircraft away from its base of operation.

      (4) Maintenance costs—These are costs of unscheduled maintenance and maintenance scheduled on the basis of flying time. In addition to the costs of normal maintenance activities, variable maintenance costs include costs of or allowances for performing overhauls and modifications required by service bulletins and airworthiness directives. All maintenance costs are considered variable costs and are accounted for accordingly. Variable maintenance costs include:

(a) Maintenance labor—These costs include overtime labor expended by mechanics, technicians, and inspectors for maintenance scheduled on a calendar interval basis, engine overhaul, aircraft refurbishment, and/or repair of major components.

(b) Maintenance parts—These costs include cost of materials and parts consumed in aircraft maintenance and inspections, exclusive of materials and parts for engine overhaul, aircraft refurbishment, and/or repair of major components.

(c) Maintenance contracts—These costs include all contracted costs for unscheduled maintenance and for maintenance scheduled on a flying-hour basis or on the condition of the part or component or inspections scheduled on a calendar basis.

b. *Fixed Costs*—The fixed costs of operating aircraft are those that result from owning and supporting the aircraft; these costs do not vary according to aircraft usage. The specific fixed-cost elements include:

(1) Insurance costs—Aviation activity involves risks and potential casualty losses and liability claims. These risks are covered by an aviation liability insurance policy that is coordinated through the Kentucky Office of Insurance.

(a) Hull insurance—Hull insurance for a particular aircraft is based on the average retail value for similar aircraft. The cost is computed by multiplying a cost of $100 of hull insurance factor by the equipped aircraft price.

(b) Liability insurance—Each aircraft annually carries $10 million dollars in liability insurance coverage.

(2) Miscellaneous services—Such costs include annual expenses associated with weather services, navigational chart subscriptions and other miscellaneous costs.

c. *Periodic Costs*—These costs include those for overhaul, refurbishment, and modernization items, which occur infrequently. The specific fixed-cost elements include:

(1) Interior refurbishment—This element includes replacement every 15 years of major soft goods, like carpet and upholstery, and repair and refinishing of woodwork.

(2) Modernization / Modification / Upgrade—This element includes annual aircraft modernization, as well as annual modifications to the airframe and engines and upgrades to the avionics installation.

(3) Paint—This element includes stripping, basic surface preparation, and repainting every 7 years.

2. **TOTAL ANNUAL / HOURLY COST OF OPERATION** The following formulas calculate the annual cost of operation for each aircraft and determine the hourly cost of operation rate:

(Annual Variable Costs) + (Annual Fixed Costs) + (Annualized Periodic Cost) = Total Annual Cost of Operation

(Total Annual Cost of Operation) ÷ (Annual Hourly Usage) = Total Hourly Cost of Operation

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Hourly fees charged for usage of aircraft owned and operated by the Kentucky Department of Aviation are available on the Capital City Airport website: http://cca.ky.gov/ccadivision.htm

3. **MEASUREMENT OF FLIGHT TIME** Depending on the type of aircraft, the following measurement of flight time is used:

   a. Helicopter flight time is measured with a Hobbs meter, which is a device that measures elapsed time. It is wired in series with the collective control, and a switch activated by engine or transmission oil pressure, or equivalent system, to record flight time only.

   b. Airplane flight time is measured from the time the aircraft commences its takeoff roll until it arrives at its destination and is computed in hours and tenths.

4. **BILLING** Any agency using an aircraft is billed for the associated costs after each flight, based on the hourly cost of operation and the hours the aircraft was used, regardless of the number of passengers.

   a. If repositioning of the aircraft to accomplish the intended flight is necessary, customers are charged for the flight time required to reposition the aircraft.

   b. If it is necessary to "dead-head" (fly a leg with no passengers) to accommodate the customer's schedule, the "dead-head" time is included in the charge.

Signed, approved, and effectuated this 5th day of November, 2008.

Joseph Prather
Secretary of Transportation

Approved as to Form and Legality

Office of Legal Services