

CHAIR KOOKESH set SB 164 aside until Senator Wielechowski and Senator Wilken could join the committee.

SB 249-CAPSTONE AVIONICS FUND/LOANS

CHAIR KOOKESH announced consideration of SB 249.

1:29:59 PM

FRANK RICHARDS, Deputy Commissioner, Department of Transportation and Public Facilities, Juneau, AK, said SB 249, creates a loan fund within the Department Of Commerce and Community Economic Development (DCCED) called the Alaska Capstone Avionics Revolving Loan Fund. The purpose is to increase the safety of aviation transportation within Alaska by providing low interest loans for purchase and installation of Capstone avionics equipment.

He explained that Capstone is the next generation of technology to improve flight safety and community access in Alaska. The technology is called "Automatic Dependent Surveillance - Broadcast" (ADS-B). It allows aircraft equipped with the avionics to interact with ground infrastructure and satellite stations to provide pilots their exact location, airspeed, rate of ascent and descent, surrounding terrain, other aircraft and real time weather - essentially, the whole package of data you need for safe flight.

The Federal Aviation Administration (FAA) sponsored this technology in rural Alaska as a test, predominantly in Southwest around the lower Yukon Delta and Southeast Alaska. The result for those aircraft equipped with the new avionics was a 47 percent reduction in accidents and 33 percent reduction in fatalities. The FAA would now like to expand this technology statewide and has funding to build the necessary infrastructure. They have determined the need for about 4,000 aircraft to be equipped.

This bill creates a low interest loan program within DCCED to provide aircraft owners who are unable to shoulder the initial purchase cost with a reasonable loan. The Department of Transportation and Public Facilities supports passage of this bill.

1:32:38 PM

GREG WINAGER, Director, Division of Investments, Department of Commerce and Community Economic Development (DCCED), said the

Capstone Project has shown great potential to reduce accidents and save lives. His agency is pleased to play a role in this effort and has been doing loan programs, since the early 1970's, and has the expertise and a loan infrastructure in place.

MR. WINAGER explained the purpose of the loan program is for aircraft owners who log substantial hours in Alaska and enables them to get a loan for purchasing on-board avionics. The program would be set up as a revolving fund; as repayments come in, they can be turned around to create new loans to new borrowers. This means all the operating expenses would be paid out of the fund. The bill would allow loans of up to 80 percent of the cost of the avionics including installation. The interest rate would be 4percent with a maximum term of 10 years. An average size project could have a \$15,000 installation cost and receive a \$12,000 loan.

He explained the goal in setting up the terms was to create a manageable repayment plan and at the same time, provide enough cash flow that could provide loans to future participants. The program would pay its own way, and also returns its funds to the general fund at the time the program sunsets in. The division is requesting two positions, one loan officer and one loan closer. These positions would only be filled if loan demand dictates it is necessary. A fiscal note of \$4.8 million would capitalize the fund and allow about 400 loans in the first year and 60 loans each year thereafter. Accounting expenses would be absorbed and the division has new software to streamline loan programs.

1:35:06 PM

SENATOR OLSON asked if the interest rate is variable or fixed.

MR. WINAGER replied it is a fixed 4 percent rate.

SENATOR OLSON asked what would happen to the equipment if the loan recipient defaulted.

MR. WINAGER replied that the loans would be secured with the equipment. A last resort would be foreclosure returning the equipment to the fund.

1:36:05 PM

SENATOR OLSON asked how the revolving loan program will deal with the loss if an accident happens and the equipment is destroyed without having been paid for.

MR. WINAGER replied that the fund would be added as a loss payee on any insurance policies. If no insurance is involved other means would be used to pursue the funds. However, a small amount of risk is involved with potential losses.

SENATOR OLSON said he realized that much of this equipment is integrated with the whole electrical system and asked if there would be any efforts on the part of the state to encumber the aircraft.

MR. WINAGER replied the fund would rely primarily on the equipment to secure the loan, although a lean probably would be recorded against the aircraft. The typical title insurance usually applied when making a large loan against an aircraft would not be required, so the equipment would be considered secondary collateral.

1:37:42 PM

MIKE STEDMAN, Director of Operations, Wings of Alaska, Juneau, AK, said he supports SB 249. He said he was representing all Alaskans who travel by small airplanes whether for business or pleasure, and this includes the children and grandchildren of every member of the legislature. The safety benefits of having an aircraft equipped with Capstone equipment are invaluable. A price cannot be put on a person's life. The safety benefits have been proven in Phase 1 in the Yukon Delta with an overall reduction in the accident rate of 48 percent.

He explained that Controlled Flight into Terrain (CFIT) occurs when an airworthy aircraft under the control of the flight crew is flown unintentionally into terrain, obstacles or water, usually with no prior awareness by the crew and it is the number one cause of accidents in Alaska. Capstone provides Terrain Awareness enabling the pilot to see the terrain on the screen in the cockpit and know if that terrain is above him, at the same elevation or below him. Real time weather and other airplane traffic can also be seen in the cockpit. This provides for an incredible amount of situational awareness. His company was one of the first in Phase 2 Southeast to use the equipment. Wings has 12 aircraft equipped with Capstone and the company fully embraces it. He has been flying in Southeast for almost 30 years and can attest to the safety benefits of having Capstone versus the old days when the only thing pilots could rely on was their experience.

SENATOR OLSON asked how often the equipment had failed.

MR. STEDMAN replied the failure rate has been minimal. He said the few failures have been addressed by the manufacturer. The process has involved a steep learning curve.

SENATOR OLSON asked if misinformation ever comes up on the panel.

MR. STEDMAN replied there has been some, but very minimal.

1:40:30 PM

SENATOR OLSON asked who will pay for upgrade improvements in the future.

MR. STEDMAN replied that the program is now in Phase 2. There have been some Global Positioning System (GPS) upgrades as well as some air data computer and software upgrades, all of which the FAA Capstone Project has covered.

SENATOR OLSON asked who pays for training, especially for those for whom training is not a high priority.

1:41:44 PM

MR. STEDMAN answered the pilots have been trained by the University of Alaska Anchorage. He said he doesn't know who will be paying for it.

CHAIR KOOKESH asked if Mr. Stedman had noticed an increase in his landing and take-off capabilities and if he was flying more often than normal with this new equipment.

MR. STEDMAN replied he has seen an increase in his capabilities and his flying time.

1:42:48 PM

WILFRED RYAN, President, Alaska Air Carriers Association (AACA), Anchorage, AK, said he was also representing the Alaska Airman's Association (AAA) and the Alaska Aviation Safety Foundation (AASF). He said in response to Mr. Stedman that he hopes his landings and take-offs are equal. The companies he is representing include all commercial and general aviation constituents in Alaska. All support SB 249. The original Capstone program was a research and development program established for Southeast Alaska and the Yukon/Kuskokwim Delta. Now Alaska is able to compete with the rest of the country for the deployment of the next generation of Capstone equipment.

He explained that the FAA and the Alaskan aviation industry collaborated in developing the Capstone surveillance broadcast services statewide plan by 2009. This included a commitment from the FAA to deploy about \$493 million in ground base infrastructure, maintenance and operations over the next 27 years. This plan documents the activities for implementing proven Capstone technologies throughout Alaska to increase aviation safety and rural community access in concert with ground base transceivers statewide.

MR. RYAN said coordinating deployment of the FAA ground infrastructure and avionics equipment is key to the accelerated implementation strategy and success of the program. To fully gain the FAA's commitment to deploy \$493 million in Alaska through the next 27 years, the aviation industry is required to equip about 4,000 Alaska-based aircraft with safety avionics. While this is a challenge, it's attainable but only through a commitment from the aviation industry in the state. Because more than 90 percent of Alaska is only accessible by air, Alaska has the highest aviation accident rate in the nation. The implementation of Capstone technology is essential for safe flying in the future. The Alaska Air Carriers Association (AACA) represents more than 150 air carriers and associated suppliers. The Alaska Airman's Association (AAA) represents more than 2200 private pilots and mechanics. The Alaska Aviation Safety Foundation (AASF) is dedicated to improving aviation safety in Alaska. They all support SB 249.

1:47:10 PM

LEONARD KIRK, Aviation Technology, University of Alaska Anchorage (UAA), said UAA has been involved in the safety study to assess the value of Capstone and it has resulted in a 48 percent reduction in accidents. Prior to Capstone a lot of fatal accidents took place in the Yukon (YK) Delta with an accident rate four times the rest of the state. Following Capstone implementation, the YK Delta now has the safest record in Alaska aviation. From fatal accidents every 29 days, there was a 26 month period when there were no fatal accidents. UAA, with campuses throughout the state, has been involved in developing the training for the new technology

1:48:43 PM

SENATOR OLSON asked how people in remote villages will get trained.

MR. KIRK replied the avionic training devices are portable and allow him to conduct trainings in Southeast Alaska, in the Yukon Delta and elsewhere.

SENATOR OLSON asked if someone in an outlying village can get a discount if he's not getting training.

MR. KIRK answered the aircraft would have to have the equipment installed by an approved facility and before the airplane is flown home, the pilot could be trained. He said they would do everything they can to assist the process.

SENATOR OLSON asked if operators of larger aircraft are going to be subscribing to this program as well.

MR. KIRK answered he would hope that all would subscribe to ADS-B - (Automatic Dependent Surveillance - Broadcast). Northern Air Cargo operates 121 planes and was part of Phase 1 of Capstone.

1:51:10 PM

CHAIR KOOKESH called a short recess to wait for Senators Wielechowski and Wilken to join the committee.

SB 164-USED MOTOR VEHICLE SALES

1:54:33 PM

CHAIR KOOKESH reconvened the meeting and announced the committee would again take up SB 164. Public testimony had been taken and there was no opposition. He thanked Senator Wielechowski and Senator Wilken for leaving another meeting to join the committee.

1:55:35 PM

SENATOR OLSON moved to report SB 164 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

SB 249-CAPSTONE AVIONICS FUND/LOANS

1:55:54 PM

CHAIR KOOKESH announced renewed consideration of SB 249. He briefly restated the intent of the bill and said the next committee of referral would be the Finance Committee.

SENATOR OLSON moved to report SB 249 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

MR. KIRK replied the avionic training devices are portable and allow him to conduct trainings in Southeast Alaska, in the Yukon Delta and elsewhere.

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SENATOR OLSON moved to report SB 164 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

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CHAIR KOOKESH announced renewed consideration of SB 249. He briefly restated the intent of the bill and said the next committee of referral would be the Finance Committee.

SENATOR OLSON moved to report SB 249 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

There being no further business to come before the committee
Chair Kookesh adjourned the meeting at 1:56:49 PM.

SENATE FINANCE COMMITTEE
February 22, 2008
9:09 a.m.

CALL TO ORDER

Co-Chair Bert Stedman called the Senate Finance Committee meeting to order at 9:09:06 AM

MEMBERS PRESENT

Senator Bert Stedman, Co-Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair
Senator Charlie Huggins, Vice-Chair

ALSO PRESENT

Frank Richards, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities; Greg Winegar, Director, Division of Investments, Department of Department of Commerce, Community and Economic Development; Mike Stedman, Director of Operations, Wings of Alaska and Vice President, Alaska Air Carriers Association; Representative John Coghill, Sponsor; Guy Bell, Assistant Commissioner and Director, Division of Administrative Services, Department of Labor and Workforce Development; Chris Harmon, International Brotherhood of Electrical Workers, Juneau; Robert Cesar, Apprentice Electrician, International Brotherhood of Electrical Workers, Juneau; Tom Brice, Alaska District Council of Laborers, Juneau; Barbara Huff Tuckness, Director of Legislative and Governmental Affairs, Teamsters Local 959; Senator Johnny Ellis, Sponsor; Max Hensley, Staff, Senator Johnny Ellis; Bob Crockett, Board Member, Alaska Film Group; Debra Schildt, Founding Member, Board Member, Alaska Film Group; Kate Tesar, Pro Bono Lobbyist, Alaska Film Group; Dan Stickle, Economist, Department of Revenue.

PRESENT VIA TELECONFERENCE

Jere Hayslett, Project Manager, Surveillance Broadcast Services & Capstone Program, Federal Aviation Association; Leonard Kirk, University of Alaska; Wilfred Ryan, Alaska Air Carriers Association; Ann Williams, Human Resources Administrator & Training Coordinator, Klebs Mechanical, Inc., Anchorage; Jeannine Provost, Grants Manager, Alaska

Laborers Training School; Rebecca Logan, President, Associated Builders and Contractors of Alaska.

SUMMARY

SB 230 "An Act establishing the division of film in the Department of Commerce, Community, and Economic Development; and creating a transferable tax credit applicable to certain film production expenditures incurred in the state."

SB 230 was HEARD & HELD in Committee for further consideration.

SB 249 "An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

SB 249 was HEARD & HELD in Committee for further consideration.

HB 61 "An Act relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes, including vocational education programs and courses at the secondary school level; and providing for an effective date."

HB 61 was SCHEDULED but not HEARD.

HB 226 "An Act repealing the termination of the state training and employment program; and providing for an effective date."

HB 226 was HEARD & HELD in Committee for further consideration.

SENATE BILL NO. 249

"An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

Co-Chair Stedman introduced the initial hearing for SB 249, sponsored by the Governor.

FRANK RICHARDS, DEPUTY COMMISSIONER OF HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained that SB 249 would create the Alaska Capstone Avionics Revolving Loan Fund within the Department of Commerce, Community and Economic Development (DCCED). The purpose of the project is to increase the safety of aviation transportation within Alaska by providing low interest loans for the purchase and installation of Capstone avionics

equipment. Capstone avionics is the next generation of technology and will improve both flight safety and community access in Alaska. The technology is called "Automatic Dependent Surveillance-Broadcast" (ADS-B) and allows equipped aircraft to interact with ground infrastructure and satellite stations to provide pilots with essential information, including: exact location, airspeed, rate of ascent and descent, surrounding terrain, other aircraft and real time weather. The Federal Aviation Administration (FAA) sponsored the technology and tested it in rural Alaska.

Mr. Richards stressed that the aircraft equipped with the new avionics experienced a 47% reduction in accidents and a 33% reduction in fatalities. He said FAA wants to expand this technology statewide and has funding to build the necessary infrastructure. The FAA has determined that over 4,000 aircraft need to be equipped with the avionics. Senate Bill 249 creates a low-interest loan program through DCCED for aircraft owners unable to shoulder the initial purchase cost out-of-pocket. He emphasized that the Department of Transportation and Public Facilities supports SB 249.

9:13:43 AM

GREG WINEGAR, DIRECTOR, DIVISION OF INVESTMENTS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, described the loan program. He explained that the Division of Investments has been administering state loan programs since the early 1970s and has experience, expertise and loan related infrastructure in place to successfully operate the program proposed by SB 249. Many of the provisions contained in the bill were patterned after other programs administered by the Division.

Mr. Winegar explained that the loan fund would allow aircraft owners who log a substantial number of flight hours in Alaska to purchase and install the necessary Capstone avionics. The program would be set up as a revolving fund. Repayments into the fund would finance loans to additional participants and the operating costs of the program.

Mr. Winegar said SB 249 stipulates that the program can loan up to 80% of the cost to purchase and install the avionics, the interest rate cannot be less than four percent, and the term may not exceed ten years. He described an average loan for the program of \$12,000, which would mean payments of approximately \$122 each month or \$1480 annually. The Division's goal was to provide loan terms that resulted in a manageable repayment plan for aircraft owners, while providing sufficient cash flow to cover expenses, provide loans to future participants, and return capital to the General Fund (GF).

Mr. Winegar referred to the fiscal note, which capitalizes the loan fund with a \$4.8 million appropriation. The amount would allow the Division to provide approximately 400 loans during the first year and around 60 additional loans each year thereafter. The program would sunset in 2020, at which time the money in the fund as well as all future earnings would revert back to the GF. Senate Bill 249 requests two positions, one loan officer and one loan closer to handle the increased workload; however, the positions would be filled only if loan demands required them. The Division plans to absorb accounting-related work.

9:15:29 AM

Senator Olson wondered if the State would save search and rescue money that would not be needed because of the new technology. Mr. Richards thought there would be savings.

9:16:13 AM

Senator Thomas noticed that the fund would be available to individuals, corporations, limited liability partnerships, and so on. He understood the cost to equip an aircraft would be in the range of \$15,000 to \$25,000 and wondered if this was for small planes and small carriers rather than large planes.

9:17:01 AM

Mr. Winegar answered that the loan program is set up for commercial operators to have access to the funds. Senator Thomas was concerned that the funds in the program would be available to larger carriers that would be more able to afford the avionics. Mr. Winegar replied that the loan is first-come, first-served, and would be for commercial carriers or individual, private pilots.

9:18:27 AM

Senator Elton wondered if the loan fund would be accessible to people who have already installed the Capstone avionics and are paying off a loan at a higher percentage rate. Mr. Richards thought that would be determined through regulations. In other programs, most loans are set up for new loans, although there are provisions to pay off interim financing.

Senator Elton wondered if the loan would be available to non-Alaskan residents, such as a big game guide who resides in another state. Mr. Richards responded that eligibility relates not to residency but to the number of flight hours logged in Alaska. The number of flight hours required would be determined by regulation. Senator Elton wondered what

"substantial percentage" of flight hours in the state meant. Mr. Richards guessed the number would be 90%.

9:20:27 AM

Mr. Winegar explained that there are about 10,000 aircraft in Alaska, of which 6,500-7,000 are operable. FAA chose 4,000 as the number of aircraft that they felt needed to be equipped because those aircraft represented around 90% of the flight hours logged in the state.

Senator Elton referred to the provision regarding the loan term of ten years and wondered if it were possible to extend the term of the loan. Mr. Richards replied that there is some flexibility.

9:23:21 AM

MIKE STEDMAN, DIRECTOR OF OPERATIONS, WINGS OF ALASKA; VICE-PRESIDENT, ALASKA AIR CARRIERS ASSOCIATION, testified in support of 249. He spoke as a pilot with thirty years of experience in Alaska. He piloted 24 of those years without Capstone avionics. He described the safety benefits of having an aircraft equipped with the avionics. Before Capstone was available, there was an accident approximately every 29 days in the Yukon-Kuskokwim Delta. More recently, there was a 29 month period between accidents. Capstone enhances situational awareness substantially. He emphasized the importance of real time weather information. Wings of Alaska currently has 12 airplanes with the equipment and the pilots fully embrace it.

9:26:25 AM

Mr. Stedman demonstrated what a pilot sees in an airplane equipped with Capstone avionics. He projected onto a drop screen in the Committee room what currently operating aircraft could see. Green, moving diamonds showed the position of aircraft in the area. The program gave identification, altitude, and relative position of the different aircraft.

9:30:45 AM

Co-Chair Stedman asked if there had been a decrease in accidents and fatalities in other areas around the state. Mr. Stedman said generally yes, although data is still being collected. Co-Chair Stedman asked if the industry supports the amount of allocation and the time frame recommended by SB 249. Mr. Stedman thought the proposed revolving loan program is a good start. He explained that Alaska would need to equip 4,000 within five years to get the full funding from FAA.

Senator Thomas wondered if the appropriation were sufficient to cover equipping 4,000 planes. Mr. Stedman answered that the amount would cover approximately 90 airplanes the first year. Over the five years the amount would be around \$34 million to equip 4,000 planes.

Co-Chair Stedman asked for an overview of the federal government's participation. Mr. Stedman replied that the federal government has committed \$497 million to this point and if Alaska does not equip 4,000 planes, \$187 million of that will be lost.

9:33:19 AM

JERE HAYSLETT, PROJECT MANAGER, SURVEILLANCE BROADCAST SERVICES AND CAPSTONE PROGRAM, FAA (TESTIFIED VIA TELECONFERENCE), clarified that FAA currently has a commitment of \$493 million for infrastructure. If the 4,000 aircraft are not equipped in five years, FAA would only commit to \$306 million.

9:34:51 AM

Senator Olson wondered how far off shore the Capstone coverage went. Mr. Stedman thought it went around 30 miles, although it depends on the altitude of the aircraft. Senator Olson asked how rapidly the data is updated. Mr. Stedman replied that the information is real time.

Senator Olson wondered what kind of commitment has been secured from the general aviation community. Mr. Stedman said the Alaska Airmen's Association has conducted a survey to see how many aircraft owners would equip their planes and how much they would be willing to pay for it. There is general support.

Senator Elton asked if the Air Carriers Association had a position regarding whether re-financing should be available for aircraft that already have the system, or should the priority be to add equipment to additional aircraft that have none. Mr. Stedman thought that the more airplanes equipped the better.

9:38:51 AM

Senator Olson pointed out that he did not see letters of support from the Alaska Airmen's Association and wondered if the program would be more attractive if the loan structure was better. Mr. Stedman thought it would be difficult to equip 4,000 air planes within five years and any incentive to help the general aviation pilot would help immensely.

9:40:13 AM

Senator Dyson realized how prohibitive it was for general aviation pilots to carry insurance, and wondered if insurance carriers would drop rates for aircraft equipped with avionics. Mr. Stedman thought that as the accident rate went down, premiums would go down as well. Senator Dyson asked if the insurance carriers would only respond to the accident rate. Mr. Stedman did not know.

9:41:44 AM

LEONARD KIRK, UNIVERSITY OF ALASKA (TESTIFIED VIA TELECONFERENCE), spoke in support of SB 249. He said the University of Alaska (UA) has been part of the safety evaluation of the Capstone system in the Yukon-Kuskokwim Delta. The University has also been involved in pilot training.

Mr. Kirk answered Senator Olson's question about how far ADS-B reaches: approximately 120 nautical miles line-of-sight. A ground-based transceiver located at Sitka could see an aircraft 120 miles out over the ocean. He said the information is updated every second.

WILFRED RYAN, ALASKA AIR CARRIERS ASSOCIATION (TESTIFIED VIA TELECONFERENCE), spoke in favor of HB 249 and gave further answers to Committee members' questions. Regarding Senator Elton's question about the position of the Association on refinancing, he said the official position is that operators should have the opportunity to refinance their equipment. He added that the Alaska Airmen's Association does support the program fully. He said there has been approximately a 20% reduction in insurance rates since the program's inception.

9:46:15 AM

Mr. Ryan said Alaska has been on the forefront with research and development for the ADS-B program. Currently Alaska is competing against the rest of the nation in receiving ground-based transceivers.

Mr. Ryan gave testimony in support of SB 249, representing the Alaska Air Carriers Association, the Alaska Airmen's Association and the Alaska Aviation Safety Foundation. These groups represent nearly all commercial and general aviation constituents in Alaska. Because more than 90% of Alaska is accessible only by air, Alaska has the highest aviation accident rate in the nation. The expedited state-wide implementation of proven Capstone safety technologies is essential for the future of flying safety. During a ten year period from 1997 to 2006, there were 124 fatal aviation crashes in Alaska. Many of these pilots were mid-career. The National Institute for Occupational Safety and Health has determined that based on their annual salaries, the total loss in earnings exceeded \$226 million.

9:49:41 AM

Mr. Ryan noted that the five-year plan includes 4,000 Alaskan-based aircraft, approximately 1,000 commercial aircraft and 3,000 general aviation aircraft. The safety incentive program will enable Alaskan operators to install the safety equipment. Once implemented statewide, FAA anticipates a 33% reduction in fatal accidents, more effective search and rescue operations, and a public benefit of approximately \$824 million over the next 27 years.

9:51:34 AM

Senator Olson asked if Mr. Ryan could think of any other incentives the State could use to entice people to use the program. Mr. Ryan thought it would be extremely challenging to bring the general aviation group into the incentive program. Research has indicated that the population is only willing to spend about \$2,500 each to equip their airplane, and the avionics package costs about \$12,000. Alaska Airmen's Association currently has about 180 people interested in the program, but feel it would be difficult to attract 3,000 equippers from the general aviation group unless there is financial incentive.

9:52:44 AM

PUBLIC TESTIMONY CLOSED.

Co-Chair Stedman reminded the Committee that the implementation of SB 249 would open up another fund. He wanted to critically look at the \$120,000 for travel and supplies in the fiscal note.

SB 249 was HEARD and HELD in Committee for further consideration.

AT EASE 9:54:15 AM
RECONVENE 10:04:05 AM

HOUSE BILL NO. 226

"An Act repealing the termination of the state training and employment program; and providing for an effective date."

10:04:56 AM

REPRESENTATIVE JOHN COGHILL, SPONSOR, introduced HB 226, related to the State Training and Employment Program (STEP). This program puts unemployment insurance (UI) money into grant capacity to train and re-train workers within Alaska. The current version of the bill would sunset the program in

SENATE FINANCE COMMITTEE
March 5, 2008
9:04 a.m.

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:04:17 AM.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

Co-Chair Bert Stedman
Senator Charlie Huggins, Vice-Chair
Senator Fred Dyson

ALSO PRESENT

Frank Richards, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities; Greg Winegar, Director, Division of Investment, Department of Commerce, Community and Economic Development; Mike Stedman, Director of Operations, Wings of Alaska, Juneau

PRESENT VIA TELECONFERENCE

Karen Casanovas, Executive Director, Alaska Air Carriers Association, Anchorage; Wilfred Ryan, President, Alaska Air Carriers Association, Anchorage

SUMMARY

SB 249 "An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

SB 249 was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by Department of Commerce, Community and Economic Development.

9:04:22 AM

SENATE BILL NO. 249

"An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

GREG WINEGAR, DIRECTOR, DIVISION OF INVESTMENT, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, expressed pleasure in being able to play a role in improving air traffic safety in Alaska. He noted that his agency has the infrastructure in place to run a program like the capstone avionics revolving loan fund. The fund provides excellent terms such as a low interest rate and a manageable repayment plan for aircraft owners. It pays its own way and will return the monies to the general fund when it sunsets. He termed it a win-win situation, both from a public policy standpoint and from a fiscal standpoint.

Co-Chair Hoffman requested a review of the \$4.9 million fiscal note.

Mr. Winegar explained that the fiscal note is for two positions to help with the increased work load; a loan officer and a loan closer. Funds will also be used for new software and for travel and will come out of the revolving fund.

Co-Chair Hoffman mentioned great reviews regarding the demonstration project in the Yukon Kuskokwim Delta.

9:07:55 AM

Senator Elton reported on a potential amendment which would prevent the fund from being used for refinancing until December 31, 2013, and only allow the purchasing of equipment. He requested a response from the department. Mr. Winegar replied that the department does not have a problem with such an amendment.

Senator Olson pointed out the target number of 4,000 aircraft and the \$4.8 million available for the purchase and installation of equipment. He wondered what would happen in the event that there was an overwhelming interest in the program. He inquired if there is there a provision for more funding to meet future needs.

Mr. Winegar explained that the \$4.8 million would provide for 400 loans and equip 150 aircraft during the first year. Because it is a revolving fund, over time, loans could continue to be made at the rate of about 60 per year. He related that about \$13 million in loans could be made, up until the end of the sunset date. If there is substantial interest in the program, an additional request to the legislature may be made next year. Currently, it is unclear what the response for the loans will be.

Senator Olson wondered if there is any interest in installing avionics equipment in state-owned aircraft in the Department of Public Safety (DPS). He recalled several accidents in the past. Mr. Winegar said that the intent is to equip those planes.

9:11:20 AM

FRANK RICHARDS, DEPUTY COMMISSIONER OF HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, reported that the Department of Fish and Game is interested in purchasing capstone equipment for their aircraft. He thought that DPS had identification concerns due to using the planes for law enforcement. Capstone equipped aircraft identifies planes with a tail number. Senator Olson noted that only a few planes are included in the law enforcement category. Mr. Richards could not provide further information.

9:12:50 AM

KAREN CASANOVAS, EXECUTIVE DIRECTOR, ALASKA AIR CARRIERS ASSOCIATION, ANCHORAGE, testified in support of the bill. She discussed how federal dollars could be utilized in conjunction with state matches. She shared figures about the potential relationship of federal and state monies. She spoke of the benefit of the loans for economic development. She explained the relationship of investment in avionics equipment and the impact on Alaska's economy. Supporting this bill also supports economic development in the state.

9:16:36 AM

Senator Olson spoke of the great job the air carriers have done. He asked how the legislature could help get this program going, such as by making grant money available. Ms. Casanovas replied that additional grant money would help. Also, marketing and outreach would be useful.

9:18:13 AM

WILFRED RYAN, PRESIDENT, ALASKA AIR CARRIERS ASSOCIATION, ANCHORAGE, shared statistics about aircraft accidents and the possibility of a reduction in accidents due to capstone equipment. He testified in support of the bill. He noted challenges in the avionics industry such as expenses to equip the planes and to provide incentives for owners to equip their aircraft. He reported on the number of aircraft that will need to be equipped.

9:22:17 AM

MIKE STEDMAN, DIRECTOR OF OPERATIONS, WINGS OF ALASKA, JUNEAU, testified in support of SB 249. He shared

information about the potential for capstone equipment to prevent accidents. He offered ideas for equipping state airplanes.

Senator Thomas asked when the capstone project was started in the YK Delta. Mr. Stedman thought it started in 1999. Juneau has been in the program for about four years and the research and development phase is scheduled to expire December 31, 2008. At that time there is a choice to remove the equipment or buy it from the FAA. He preferred to keep the equipment for the safety features it provides.

Senator Thomas asked about statistics regarding planes with and without capstone equipment. Mr. Stedman reported on the substantial benefit as seen in the 48 percent reduction of accidents.

9:25:49 AM

Senator Elton referred to Amendment 2, which he had planned to offer, but which is incorrect from line 14 on. He offered to clean it up and offer it in the next committee of referral.

9:27:15 AM

Senator Olson MOVED to REPORT SB 249 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 249 was REPORTED out of Committee with a "do pass" recommendation and with fiscal note #1 by Department of Commerce, Community and Economic Development.

ADJOURNMENT

The meeting was adjourned at 9:27 AM.

HOUSE FINANCE COMMITTEE
March 26, 2008
1:45 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at 1:45:12 PM.

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative John Harris
Representative Mary Nelson

ALSO PRESENT

Frank Richards, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities; Greg Winegar, Director, Division of Investments, Department of Commerce, Community and Economic Development; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Debbie Richter, Director, Permanent Fund Dividend Division, Department of Revenue; Allie Fitzjarrald, Acting Director, Division of Public Assistance, Department of Health and Social Services.

SUMMARY

HB 278 An Act relating to sex offenders and child kidnappers.

CS HB 278 (JUD) was SCHEDULED but not HEARD.

HB 367 An Act relating to the sale of raw milk and raw milk products.

HB 367 was SCHEDULED but not HEARD.

HB 396 An Act relating to and increasing the amount of the 2008 permanent fund dividend; and providing for an effective date.

HB 396 was HEARD and HELD in Committee for further consideration.

HB 400 An Act relating to a person who seeks medical assistance for a person experiencing a drug overdose.

HB 400 was SCHEDULED but not HEARD.

SB 249 An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date.

SB 249 was REPORTED out of Committee with a "do pass" recommendation and with new zero fiscal note by the Department of Transportation and Public Facilities and fiscal note #1 by the Department of Commerce, Community and Economic Development.

1:47:50 PM

SENATE BILL NO. 249

An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date.

Representative Thomas asked if Fish and Game and other Alaska enforcement aircraft that does not want to be identifiable would be exempt from the program.

FRANK RICHARDS, DEPUTY COMMISSIONER OF HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, said there was a Department of Fish and Game amendment to equip seven aircraft, but he thought Representative Thomas might be referring to Department of Public Safety law enforcement aircraft. The Department was reluctant to equip planes that they did not want to be tracked. He said the Federal Aviation Administration (FAA) was working on technology to prevent transmission so that certain aircraft could be equipped and not be tracked.

Representative Thomas thought if the avionics program was being brought forward for safety reasons it seemed counterproductive to have aircraft that could not be seen.

Representative Gara asked if the program had ever been a grant program. Mr. Richards replied that initially the aviation community had talked about a grant program.

Representative Gara wondered what the interest rate would be and if the program would lose or make money.

GREG WINEGAR, DIRECTOR, DIVISION OF INVESTMENTS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, said the interest rate would be 4%. All expenses would be paid for out of the fund. At sunset in 2020 the earnings would return to the General Fund. There was a discussion about inflation proofing the fund so that it would not cost the State over time.

1:53:41 PM

Co-Chair Chenault referred to the language in the bill establishing the interest rate at not less than 4% and questioned who within the Department under what authority would establish the exact interest rate. He wanted to know why the bill did not establish the rate. Mr. Winegar replied that the rate could be stipulated in the law, or regulations could establish it. The Division came up with 4% because it was low and provided for reasonable repayment amounts, while ensuring that the fund paid its own way.

1:55:19 PM

Representative Gara wanted a standard, such as "prime plus one and a half," that would adequately capitalize the fund so that by 2020 the State would get its money back. The statute gives no guidance. Mr. Winegar replied that the language is patterned on other similar loan programs. He said a number of variables played into the decision. Until the funds are loaned out they are invested by the Department of Revenue, and those earnings will also be retained by the fund. The numbers had been run with conservative default rates and he was confident that the original principal plus a substantial amount of earnings would go back to the General Fund.

Representative Gara proposed language stipulating that the rate would reflect an amount that would protect the purchasing power of the endowment. Mr. Winegar thought the language already in the bill was sufficient. Representative Crawford stated the goal was to make the skies safer and he wanted to see the avionics operating. If inflation continues at about 3-4%, he thought the 4% minimum would work.

Mr. Winegar responded further that the FAA has done studies estimating that savings from lost lives and search and rescue costs would be well over \$800 million to the State over a 27-year period.

1:59:34 PM

Representative Gara reiterated his concerns with not putting standards for rates in legislation.

Co-Chair Chenault asked if \$4.8 million would be enough considering the goal is to equip 4,000 aircraft. Mr. Winegar replied that the amount would probably not cover equipping all of the aircraft. However, a revolving fund allows leveraging the money; the Division could potentially make about \$13 million in loans with that amount. If loan demand is higher, they may need to come back.

Co-Chair Chenault thought the program should move forwarding order to save Alaskan lives.

Representative Kelly stated his support for the program.

2:03:46 PM

Co-Chair Meyer referred to the fiscal notes.

Representative Joule asked if an aircraft equipped with avionics would be easier to locate if it had an accident. Mr. Richards answered that it would be.

Vice-Chair Stoltze MOVED to REPORT SB 249 out of Committee with individual recommendations and with the accompanying fiscal notes.

Vice-Chair Stoltze OBJECTED for discussion.

Vice-Chair Stoltze reported that airplane accidents have killed more of his friends than car accidents. He referred to accidents that had happened. Many Alaskans shared those experiences. He thought the program was a priority.

Vice-Chair Stoltze REMOVED his OBJECTION. There being NO further OBJECTION, it was so ordered.

SB 249 was REPORTED out of Committee with a "do pass" recommendation and with attached new zero fiscal note by the Department of Transportation and Public Facilities and fiscal note #1 by the Department of Commerce, Community and Economic Development.

HOUSE BILL NO. 396

An Act relating to and increasing the amount of the 2008 permanent fund dividend; and providing for an effective date.

2:07:56 PM

Vice-Chair Stoltze moved to adopt the Work Draft for HB 396, version 25-LS1504\C, Cook, 3/21/08 (Copy on File). There being NO OBJECTION, it was so ordered.