

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON MILITARY AND  
VETERANS' AFFAIRS**

February 26, 2002  
3:20 p.m.

**MEMBERS PRESENT**

Representative Mike Chenault, Chair  
Representative Beverly Masek  
Representative Lisa Murkowski  
Representative Joe Green  
Representative Pete Kott  
Representative Joe Hayes

**MEMBERS ABSENT**

Representative Sharon Cissna

**COMMITTEE CALENDAR**

HOUSE BILL NO. 438

"An Act relating to motor vehicle registration plates for disabled veterans; and providing for an effective date."

- MOVED CSHB 438(MLV) OUT OF COMMITTEE

HOUSE BILL NO. 324

"An Act making supplemental and other appropriations for homeland security; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: HB 438

SHORT TITLE:DISABLED VETERANS LICENSE PLATES

SPONSOR(S): REPRESENTATIVE(S)MCGUIRE

Jrn-Date	Jrn-Page		Action
02/15/02	2286	(H)	MLV, STA, FIN
02/15/02	2286	(H)	READ THE FIRST TIME - REFERRALS
02/26/02		(H)	MLV AT 3:00 PM CAPITOL 124

BILL: HB 324

SHORT TITLE:HOMELAND SECURITY APPROPRIATIONS

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
01/16/02	1972	(H)	READ THE FIRST TIME - REFERRALS
01/16/02	1972	(H)	MLV, STA, FIN
01/16/02	1972	(H)	GOVERNOR'S TRANSMITTAL LETTER
01/16/02	1972	(H)	SPREADSHEET BY DEPT. COST
02/12/02		(H)	MLV AT 3:00 PM CAPITOL 124
02/12/02		(H)	Heard & Held
02/12/02		(H)	MINUTE(MLV)
02/19/02		(H)	MLV AT 3:00 PM CAPITOL 124
02/19/02		(H)	Heard & Held
			MINUTE(MLV)
02/21/02		(H)	MLV AT 3:00 PM CAPITOL 124
02/21/02		(H)	Heard & Held
			MINUTE(MLV)
02/26/02		(H)	MLV AT 3:00 PM CAPITOL 124

**WITNESS REGISTER**

REPRESENTATIVE LESIL McGUIRE

Alaska State Legislature  
Capitol Building, Room 418  
Juneau, Alaska 99801

POSITION STATEMENT: Sponsor of HB 438.

CHARLES R. HOSACK, Deputy Director

Division of Motor Vehicles (DMV)  
Department of Administration  
3300B Fairbanks Street  
Anchorage, Alaska 99503

POSITION STATEMENT: Testified on HB 438 and answered questions;  
conveyed DMV's preference of having one plate with the newer  
design, rather than three different plates.

JIM POUND, Staff

to Representative Lesil McGuire  
Alaska State Legislature  
Capitol Building, Room 418  
Juneau, Alaska 99801

POSITION STATEMENT: Answered questions pertaining to HB 438.

ED KNOEBEL

P.O. Box 84  
Glennallen, Alaska 99588

POSITION STATEMENT: Asked questions relating to HB 438; expressed interest in the proposed license plate and the former style of plate for Purple Heart recipients.

NANCY SLAGLE, Director  
Division of Administrative Services  
Department of Transportation & Public Facilities (DOT&PF)  
3132 Channel Drive  
Juneau, Alaska 99801-7898

POSITION STATEMENT: Explained Items 107, 115, 128, and [133-135] of DOT&PF's appropriation requests encompassed in HB 324.

BRAD THOMPSON, Director  
Division of Risk Management  
Department of Administration  
P.O. Box 110218  
Juneau, Alaska 99811-0218

POSITION STATEMENT: During hearing on HB 324, answered questions regarding war-risk insurance pertaining to [Items 133-135].

#### **ACTION NARRATIVE**

TAPE 02-13, SIDE A  
Number 0001

CHAIR MIKE CHENAULT called the House Special Committee on Military and Veterans' Affairs meeting to order at 3:20 p.m. Representatives Chenault, Masek, Murkowski, Green, and Kott were present at the call to order. Representative Hayes arrived as the meeting was in progress.

#### HB 438-DISABLED VETERANS LICENSE PLATES

CHAIR CHENAULT announced the first order of business, HOUSE BILL NO. 438, "An Act relating to motor vehicle registration plates for disabled veterans; and providing for an effective date."

Number 0112

REPRESENTATIVE LESIL MCGUIRE, Alaska State Legislature, sponsor, noted that HB 438 authorizes the [Division] of Motor Vehicles (DMV) to create a special license plate for disabled veterans. She offered her belief that this small step will send a big message to the 900 disabled veterans in Alaska - a number she said is estimated to grow next year alone by 50 to 70 percent [50 to 70 registrations, according to DMV]. Bringing attention

to page 2, line 20, paragraph (16), she pointed out that although the drafter had referenced a fee, no fee is currently charged for disabled veterans for "any kind of registration." Therefore, the proposed committee substitute (CS) [Version C] corrects that drafting error.

REPRESENTATIVE McGUIRE told members she believes the \$5,700 fiscal note from the DMV is miniscule and will be recouped. She highlighted the DMV's estimation, in the fiscal note analysis, of \$3,000 in first-year revenue; according to the statistics, she said, it appears 70 percent of the fiscal note will be paid back within two years. She called it a "small investment to make in a community that has invested a whole lot of their life for us, in representing our country ... in foreign wars."

Number 0380

REPRESENTATIVE HAYES asked how many different Alaskan license plates recognize veterans currently.

REPRESENTATIVE McGUIRE deferred to Mr. Hosack of the DMV. She said there are roughly 812 [855 according to the fiscal note analysis] disabled veterans using other types of [Alaskan] license plates.

Number 0485

CHARLES R. HOSACK, Deputy Director, Division of Motor Vehicles, Department of Administration, responded via teleconference that currently 10 [categories of] plates, out of the 41 issued [by DMV], are dedicated to veterans. He listed the following that the DMV currently issues: "the regular veterans' plates for every type of service"; "the disabled veterans, with the wheelchair logo [or] without the wheelchair logo"; ex-prisoner of war; Purple Heart; National Guard; and Pearl Harbor survivors.

REPRESENTATIVE McGUIRE added that even though it seems there are a lot [of plates already], "there is certainly a community that we've heard from, of individuals who are interested in having that special recognition and honor." She offered that in the bill she'd tried to be fiscally responsible: although it provides an option for a plate, there is a \$30 fee, and it is estimated that \$3,000 will be recouped in the first year.

Number 0634

JIM POUND, Staff to Representative Lesil McGuire, Alaska State Legislature, in response to Representative Hayes, explained that this bill gives a disabled veteran an opportunity to have a plate that is distinctively different from handicapped license plates available in Alaska now: the proposed plate is red, white, and blue; the current DAV [Disabled American Veterans] plate is a standard gold-and-blue handicapped-type license plate that simply has the letters "DAV" on it. In response to Representative Murkowski about whether someone would want to pay \$30 for another plate, he explained that he'd been approached at the VFW [Veterans of Foreign Wars] in Eagle River by some disabled veterans whose interest was to have a red, white, and blue plate that would be more noticeable and distinctive than the current plate, and that would indicate those veterans had served their country and given part of themselves in doing so.

Number 0819

REPRESENTATIVE GREEN brought attention to the fiscal note analysis, which references a minimum of 900 pairs of plates, for a cost of \$5,750 [under the current license plate contract]. He asked how often a change will be required and suggested that eventually the plates will have to be replaced.

REPRESENTATIVE MCGUIRE offered her understanding that the design of the plate and logo is what requires the investment cost. She reiterated that the estimated recoupment the first year is about \$3,000; she said it might even be more. She indicated that although DMV is doing an estimate, Mr. Pound is doing one as well, based on the "disabled veteran community"; she said it is hard to match those numbers. She added her understanding that "once the structure is in place, it's in place, and then it would just be a matter ... of continuing to order as demand came about." She deferred to Mr. Hosack for a further response.

MR. HOSACK explained that the minimum order of license plates, "with the sheeting and aluminum," is 900 pairs, reflected in the DMV's fiscal note at 5.7 [thousand dollars]. Noting that in the last five years [DMV] has seen an increase of 50 to 70 registrations a year for disabled veterans' plates, he offered that 900 pairs of plates will last [DMV] quite awhile. Because some people with existing plates likely will switch over to the new design, Mr. Hosack told members he'd estimated 100 [would switch] in the first year; in succeeding years a small portion of those 50 to 70 new registrants would opt for this plate, rather than the gold-and-blue one [for which there is no charge].

REPRESENTATIVE GREEN asked whether that will also take care of the fact that the plates will wear out [eventually] and have to be reissued.

MR. HOSACK agreed that someday there would be a need to reorder, but said the 900 plates will take care of replacement plates; in addition, [DMV] still has a quantity of regular gold-and-blue plates. "And that will be picked up in our regular operating expenses for license plates," he added.

Number 1054

REPRESENTATIVE MURKOWSKI asked Mr. Hosack when the gold-and-blue plates were initially made available to disabled veterans, and how many are left now. She surmised that an initial order of 900 [pairs] had been required for those as well.

MR. HOSACK answered that [DMV] has been issuing disabled-veterans plates since at least 1980. Although he didn't know when the last order was placed, he surmised it was probably in the early 1990s. Of that order, [DMV] has about 800 plates left - split between those with and without the logo.

REPRESENTATIVE MURKOWSKI expressed surprise that 800 plates are left after ten years.

REPRESENTATIVE McGUIRE emphasized that this [new plate has been requested by the disabled veteran] community. She conveyed her understanding, from Mr. Pound's involvement with VFW, that veterans don't see [the current plates] as a distinct honor or as distinctive in any way, since they just say ["DAV"]. These people are asking for these license plates to "give a distinctive honor" so that when they are driving, they'll be recognized and stand out.

Number 1283

REPRESENTATIVE KOTT acknowledged his involvement in many of the discussions relating to this special license plate. He agreed the existing plates aren't something disabled veterans will clamor to have on their cars. He also surmised that the estimate is low [in the fiscal note analysis] with regard to how many disabled veterans would switch to these plates, or obtain them in the first place. He conveyed his understanding that the plates would only cost [DMV] \$6.30 [each], and suggested it would only take about 200 to break even. He said he believes

perhaps 100 people from the Eagle River VFW post would [buy these new plates].

REPRESENTATIVE MURKOWSKI related her understanding that the lack of use has been due to the design, then.

REPRESENTATIVE KOTT suggested [the proposed plates] are a good deal for disabled veterans, giving them recognition at a very cheap cost to the state - or no cost [after the break-even point is reached].

Number 1396

REPRESENTATIVE HAYES expressed his understanding that this would replace one of the ten [types of] existing plates [offered by the DMV]. He asked whether there would be separate plates with and without the wheelchair logo.

MR. POUND related his understanding that the handicapped logo could be through use of a sticker, for instance, for the purpose of being able to park in a handicapped-parking zone. He added that the existing inventory of gold-and-blue plates would remain; those are free to [disabled veterans] who request them, and would remain so. By contrast, there is a \$30 charge for the proposed plates; that fee is to cover the cost.

Number 1479

REPRESENTATIVE HAYES asked whether there are [special] plates for Gulf War veterans, for example; he said he could foresee having a plate for veterans of the war on terrorism, for example. He acknowledged that he was just curious.

REPRESENTATIVE McGUIRE answered, "We kind of have kicked around some of those ideas, but I think in this particular instance we've tried to amalgamate ... the category as much as we can." These plates would be for disabled veterans, she said, whether from the war in Afghanistan, World War II, or the Gulf War, for instance; having [special plates for any of those] would go a step too far, and the bill is a middle ground. She acknowledged that perhaps a sticker system could be used for people to delineate that they are disabled veterans from a specific war, but she suggested it is too cumbersome for this bill. She specified that her main concern, when the legislation was presented to her, was to give an opportunity to honor disabled veterans, "but through a fiscally responsible way."

[There was a brief discussion of "regular veteran plates," which have a white background with light blue and red.]

REPRESENTATIVE MURKOWSKI offered her understanding that only the disabled veterans ended up with the old-style [gold-and-blue] plate "with nothing unique to it," because the Purple Heart [plate] is unique, for example.

REPRESENTATIVE McGUIRE concurred, suggesting it might have been an oversight [when the issue of special plates was brought to legislators' attention previously].

Number 1780

REPRESENTATIVE KOTT noted that under the bill a [veteran] who is 70 percent [disabled will qualify]; he asked Mr. Pound whether it is the same threshold used for a property tax exemption.

MR. POUND said he didn't know for a fact and would look into it, but believed it to be 50 percent. He recalled that a friend had obtained an exemption from the Fairbanks North Star Borough with a 50-percent disability, to his belief.

REPRESENTATIVE McGUIRE responded that if that fact could be ascertained, a committee substitute (CS) could be offered in a subsequent committee to "marry" the two [percentages].

REPRESENTATIVE KOTT agreed that if it is 50 percent for [a property tax exemption], it should be 50 percent [under the bill]. He offered to have his own staff research it.

Number 1825

REPRESENTATIVE KOTT moved to adopt the proposed CS, version 22-LS1503\C, Ford, 2/26/02, as a work draft.

CHAIR CHENAULT announced that [Version C] was adopted.

Number 1845

ED KNOEBEL testified via teleconference, noting that he is a disabled veteran, "category 2" under the VA [Department of Veterans Affairs]; he asked whether that specification would qualify for the [proposed plate]. Mr. Knoebel pointed out that many of these people are disabled and have a hard time getting around, although they might not use wheelchairs. He also indicated originally there was a colored Purple Heart plate,

whereas now the equivalent plate just has a Purple Heart stamped on it; he said he'd been told that when [DMV] runs out of plates, it will order the [former] type. He asked Mr. Hosack whether [DMV] still has the old plate or will be issuing "the new type of Purple Heart one."

MR. HOSACK answered that [DMV] has had a request from the "Purple Heart or combat-wounded association" to change the plate's design when it is reordered. "We will accommodate their request," he told Mr. Knoebel, adding that he wasn't sure what the [DMV's] current inventory was of that [stamped] plate.

MR. KNOEBEL specified that he'd be interested in another Purple Heart plate - since he doesn't have one now and doesn't like [the stamped version] - as well as this [proposed plate].

Number 2004

MR. HOSACK explained that the major portion of the cost for new, specialty plates is for the design and "getting our manufacturer to do a small quantity of the special sheeting." He affirmed Representative Kott's calculation that it would cost "\$6 and something" [for each proposed plate]. With respect to the 800-some plates currently on hand, those were done when Alaska had gold-and-blue plates for all license plates, so there was some economy of scale: they only cost \$2.50 each, to his recollection; thus the cost of the 800 plates in the current inventory was about \$2,100.

MR. HOSACK, although agreeing that the disabled veteran community certainly deserves recognition, voiced DMV's concern with having three different types of plates for a fairly small community. He explained that existing [law] allows [DMV] just to issue a special plate; it doesn't specify the design. He told members:

So if it is the [desire] of the committee to go to a new design, rather than having three different types of plates, DMV would prefer just to take our existing inventory of gold-and-blue plates, donate them to a metal recycling, and just adopt a new design and have one plate - the newer design - for all the disabled veterans.

Number 2120

CHAIR CHENAULT thanked Mr. Hosack and asked whether anyone else wished to testify. He then closed public testimony.

CHAIR CHENAULT called an at-ease at 3:52 p.m. He called the meeting back to order at 3:55 p.m.

[A motion to move the bill out of committee was interrupted in order to make the following amendment.]

Number 2255

REPRESENTATIVE KOTT moved to adopt conceptual Amendment 1, as follows: indicating he'd just received word that it conforms to the property tax exemption, he explained that Amendment 1 "takes it [the disability requirement] down to 50 percent and basically defines 'disabled veteran' meaning a person who is separated from the military service of the United States under a condition that is not dishonorable, who is a resident of the state, whose disability was incurred or aggravated in the line of duty in the military service of the United States, and whose disability has been rated as 50 percent or more by the branch of service in which that person served (indisc.) the United States Department of Veteran Affairs or, (b), who served in the Alaska Territorial Guard, was a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more."

Number 2295

REPRESENTATIVE GREEN asked Representative Kott what he was reading from.

REPRESENTATIVE KOTT said it conforms to the provision currently in statute that allows disabled veterans to receive a property tax exemption.

REPRESENTATIVE GREEN suggested, rather than adding the foregoing, that a reference could just say "disabled veterans" has the meaning in [the appropriate specified statute]. It would keep it from being cumbersome.

REPRESENTATIVE KOTT agreed, provided the drafters would do it.

REPRESENTATIVE McGUIRE proposed that it might be simpler to make a conceptual amendment on page 2, line 4, to insert "50" percent instead of "70".

REPRESENTATIVE KOTT responded that [Representative McGuire's suggestion] probably captures the intent, but offered his belief that the definition of "disabled veteran" is [already in statute], and agreed with Representative Green that referencing it in the bill would keep it simple.

REPRESENTATIVE GREEN moved to adopt the foregoing [reference to the definition of "disabled veteran" in statute] as a friendly amendment to Amendment 1.

REPRESENTATIVE KOTT concurred, saying the drafters could figure it out.

Number 2418

CHAIR CHENAULT asked whether there was any objection to [conceptual] Amendment 1 [as amended]. There being no objection, Amendment 1 was adopted.

Number 2429

REPRESENTATIVE HAYES moved to report CSHB 438 [version 22-LS1503\C, Ford, 2/26/02], as amended, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, CSHB 438(MLV) was moved out of the House Special Committee on Military and Veterans' Affairs.

#### HB 324-HOMELAND SECURITY APPROPRIATIONS

CHAIR CHENAULT announced the final order of business, HOUSE BILL NO. 324, "An Act making supplemental and other appropriations for homeland security; and providing for an effective date."

Number 2490

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation & Public Facilities (DOT&PF), came forward to discuss DOT&PF's requests [listed in the document titled "Terrorism Disaster Policy Cabinet: Cost Estimates for Highest Priority Recommendations," dated 1/14/02].

MS. SLAGLE first addressed Item 107 ["Northern Region Highways and Aviation: Add municipal law enforcement officers for rural airports to meet FAA's mandatory 15 minute response time"]. She indicated the request is for FY 03 and a supplemental request for FY 02, and is for contract officers. Although the total

listed is \$1,596,000, Ms. Slagle pointed out that the department had submitted amendments to OMB [Office of Management & Budget], which the committee should probably receive tomorrow. The total request for [Item 107] will be \$158,100: \$88,100 for FY 02 and \$70,000 for FY 03.

MS. SLAGLE explained that following the [terrorist] attacks on September 11 there was a push by the Federal Aviation Administration (FAA) to increase security at all airports. One requirement was ensuring local law enforcement presence at Alaska's 16 certificated airports - those that accommodate airlines [carrying] 60 passengers or more: Barrow, Bethel, Cold Bay, Cordova, Deadhorse, Dillingham, Gustavus, King Salmon, Kodiak, Kotzebue, Nome, Petersburg, Sitka, Unalaska, Wrangell, and Yakutat. This was in addition to the presence of the National Guard, she indicated. She noted that the FAA has specific requirements for those airports under Section 107 of the C.F.R. [Code of Federal Regulations] with regard to "aviation security items."

MS. SLAGLE said [DOT&PF] had done what it could using whatever was available in communities, including contractual relationships with [security firms]. Other requirements of rural airports included a 300-foot setback for vehicles. Because of the high cost, [DOT&PF] had requested and recently received waivers from the FAA for Alaska's rural airports for those two specific areas: the [local] law enforcement presence and the 300-foot setback. Thus the department's [requested amount] has dropped substantially because of no longer needing to provide that 24-hour-a-day law enforcement presence at or near those rural airports. In response to Chair Chenault, Ms. Slagle explained that Juneau hasn't been included because its airport isn't state-operated, but said to her belief it is pursuing a waiver as well.

Number 2740

REPRESENTATIVE MURKOWSKI requested clarification about the mandatory 15-minute response time and whether it has been waived.

MS. SLAGLE answered that it means law enforcement people must be within 15 minutes of the airport - available and close enough so that if something happens at the airport, they can respond immediately. That hasn't been waived. Rather, the full-time law enforcement presence has been waived. There are some projected expenditures for FY 03, Ms. Slagle pointed out. In

the Southeast Region, for example, there will be additional costs for Gustavus, where [the state] has no law enforcement presence now. There is considerable [summer] activity there because of the tourist industry, and Alaska Airlines flies there. Thus [DOT&PF] will have to hire [a security firm] to provide that 15-minute [response time].

Number 2825

REPRESENTATIVE MURKOWSKI asked why Alaska Airlines personnel posted at a security checkpoint [in Gustavus] couldn't be used while the airport is open.

MS. SLAGLE answered that it is the state's responsibility and that she doesn't believe Alaska Airlines would be willing to provide the needed assistance beyond baggage screening and so forth. The state also needs to check perimeters, to make sure somebody is there to respond to any incident, and so on. "The FAA guidelines are pretty specific on how we need to deal with it and respond to those security items," she added.

REPRESENTATIVE MURKOWSKI noted that security people at the airport aren't Alaska Airlines [personnel].

MS. SLAGLE concurred. With regard to the baggage-screening personnel, she pointed out that at the [Ted Stevens] Anchorage International Airport, for example, those are provided by the airlines, not the airport, although in the future they will be federal [employees]. It is different depending on location: rural airports are different from Anchorage's airport.

Number 2918

CHAIR CHENAULT asked whether there is a federal mandate relating to whether federal employees, for example, are being put in [as security personnel], in stages, depending on the size of the airport.

MS. SLAGLE pointed out that those [federal] requirements are changing all the time, and that DOT&PF must keep up with them. She added that on December 6, FAA also "did some changes to the 14 C.F.R." that required fingerprinting of all [individuals in secure areas at both rural and international airports; she indicated background checks are required for all those individuals]. [The last portion isn't on the tape, but was transcribed from the Gavel to Gavel audio file.]

TAPE 02-13, SIDE B  
Number 2972

MS. SLAGLE mentioned that for airport personnel, concessionaires, or others with access to secure areas, "badging" is also required in the rural airports. Part of the [funding] request is to add somebody who can deal with those fingerprinting [and badging] requirements. Ms. Slagle reported that [DOT&PF] has until December of this year to make sure all existing staff have been fingerprinted and have had criminal background checks; until now, there hasn't been that type of security in rural airports, including badging or fingerprinting. She added, "That is a requirement that FAA will not waive."

CHAIR CHENAULT offered his assumption that the Central Region and Southeast Region will have some modifications and the same issue.

MS. SLAGLE responded that it is part of the amendment [DOT&PF] is submitting: for the Central Region, the total [request] for FY 02 and FY 03 will drop to \$129,000; although she didn't have the amount for the Southeast Region, she said that also will drop substantially.

Number 2863

MS. SLAGLE began discussion of Item 115 ["Have DOT/PF maintenance personnel check key bridges on a daily basis and block access to roads under bridges"], which she said has no monetary impact. She explained that Item 115 is to have existing maintenance people, as they are "traveling through" and doing their appointed tasks on a daily basis, be able to report any suspicious activities or anything out of the ordinary about which they may need to contact law enforcement agencies. It acknowledges another level of security that those maintenance personnel need to assume in their regular job duties, including the [need] to identify [suspicious activities or anything out of the ordinary] to law enforcement or investigative agencies, and to know what those may be. It may require some training, for which [the department] has some federal dollars available.

Number 2795

REPRESENTATIVE MURKOWSKI asked whether right now [DOT&PF] workers have a set schedule for going out and observing road conditions, for example.

MS. SLAGLE affirmed that, mentioning the level of maintenance that happens on the road system and the bridges; the latter are critical, she said, and are more difficult to deal with than regular roadways because of icing, for instance.

REPRESENTATIVE MURKOWSKI asked whether [the maintenance personnel] have a daily route on an individual basis.

MS. SLAGLE questioned whether it would be on a daily basis, but said [Item 115] would be part of their responsibilities. It wouldn't take them out of a set routine or divert them from their regular activities, but would ensure that those bridges and areas are being observed a little more carefully. Prior to September 11, it wasn't even an issue, she noted.

REPRESENTATIVE MURKOWSKI requested clarification, since [Item 115] says the bridges are to be checked on a daily basis. She said it sounds as though it would be in addition to regular duties.

MS. SLAGLE agreed it would be an addition because, she was assuming, they would have to stop and look at a particular bridge, for example, which takes time [away] from what they normally would do. "But if they're going by the bridge, ... it certainly seems a reasonable thing for them to do," she added.

Number 2664

MS. SLAGLE addressed Item 128 ["Port of Anchorage Access Road Security: Provide increased security at the Port of Anchorage Access Road"]. She explained that it was "felt that there was a requirement" for dealing with increased security into the Anchorage port facility for road traffic. The road to the port facility, a [DOT&PF] road, is part of the NHS [National Highway System]. Probably in early October, before the freeze-up, the guard shack for that area was moved and a loop was made so that if vehicles going up to the guard shack were turned back, those vehicles could leave. She offered her understanding that the port had provided the shack and moved it, whereas [DOT&PF] basically did the roadwork; she indicated that is what Item 128 pays for. Referring to the amendment she'd discussed earlier, she pointed out that part of it reduces [Item 128] from \$30,000 to \$17,000, which reflects [DOT&PF's] actual expenses in relation to this piece of road.

Number 2584

REPRESENTATIVE MURKOWSKI pointed out that she has been following this particular issue because it is "just below my district, and we've kind of helped them with ... the security component of it"; she said that seems to be working out just fine. However, one of her concerns is that this is an "interim fix." She explained that there is a need to tighten security into the port area, and yet "the folks within the port," and certainly the truckers, have been clamoring for years for additional access into and out of the port. After September 11, there has been a need to restrict it despite the desires of [the truckers, for instance] to have another road, a tunnel, or [the ability to] "cut down through the neighborhood." She added, "They're recognizing now that the security component ... is very real and very legitimate." She continued:

But now we're talking about the possibility of a Knik Arm crossing, and the crossing will come right through that port area. And it's not really an issue ... for this particular measure that we have in front of us, but I guess I'd just encourage the department to always be conscious of the fact that we do have a security issue down there in the port. And if we put a major thoroughfare right through the port, you're going to have some real serious security concerns.

Number 2498

MS. SLAGLE began discussion of Item 133 ["Central Region Highways and Aviation: Purchase short-term War Risk Insurance for rural airports and analyze need for longer term insurance"]. [This discussion also involves Items 134 and 135, relating to the Northern Region and Southeast Region, respectively.] Ms. Slagle explained that within days of September 11, the insurance industry canceled war-risk and terrorism-related liability insurance coverage for all airports. The state administration believed it was important to continue to have that coverage, however; once it became available, she indicated, the state purchased [the coverage] for this year. She deferred to Brad Thompson to answer questions.

CHAIR CHENAULT requested that Mr. Thompson explain not only what the war-risk insurance is, but also what it has cost the state in the past and will likely cost in the future.

Number 2434

BRAD THOMPSON, Director, Division of Risk Management, Department of Administration, explained that his division operates and manages the state's self-insurance program; it also purchases excess catastrophe-level [insurance] for the huge potential liability arising from "our operations" for airports, aircraft, and the spaceport. Prior to September 11, [the state] had \$500 million of liability insurance protection for which it paid \$589,000 for the current fiscal year. That is just one of the "excess-insurance policies in our program," he said. Another is comprehensive marine insurance for the marine highways, which has a \$250-million liability limit for the value of the vessel and injury to the crew or passengers; he indicated an approximate cost of [\$1,200,000] for that. He explained:

We purchased the war-risk [insurance] back. And the thing you have to understand is, for those two specialty insurances, there is an endorsement added in, as a normal course in any renewal, for the acts of terrorism, sabotage. And it's characterized or labeled "war risk." ... It doesn't become effective if you go to war. If the U.S. actually engages in war with a foreign power, we lose - that's an automatic termination.

The underwriters, as a policy condition, have the option of issuing a notice of cancellation. Now, these insurances are placed with Lloyd's of London, other "major aerial syndicate" London companies, and international reinsurers. All of the aviation and marine insurance, post 9/11, including these war-risk endorsements, were canceled - not just for airports, [but for] all aircraft manufacturers, all airline operators. Congress passed a piece of legislation to protect the aircraft [manufacturers] and the aircraft operators, with a protection provided by the federal government if they were canceled and not able to renew the war-risk [insurance], and, in fact, continues to protect them above \$100-million limits with financing from the U.S. Treasury for those extra, increased premiums.

The airports were given no such protection; the airports attempted to get added into that airline transportation safety Act, unsuccessfully. That left the airlines, when it was available, with the dilemma of purchasing back the protection that [they] had. And, again, it's the liability insurance: if someone

was able to gain access to an aircraft through one of our airports, do damage to the aircraft, somehow sabotage that aircraft, we would be, likely, named defendant on a liability claim, as is Logan Airport for those flights arising on 9/11.

Number 2255

So we purchased back two layers - a primary layer of \$50 million and an excess layer of \$100 million - for the airport program; ... the first primary layer was 214,000 [dollars], and the second was 265 [thousand dollars]. We [are] now protected again for liability arising from not just the airports, but our aircraft. Our aircraft are fairly small in size compared to airlines, et cetera. But our major exposure is our airports - the security and the maintenance and operation of those airports. So we bought [it] back for the airport, and we also did the same thing for the marine highways.

MR. THOMPSON concluded by indicating the detailed budget itemizes those charges incurred to date for [FY] 02, and projects those for [FY] 03; it is broken out for the major airports at Anchorage and Fairbanks, and then "the rural or the regional cost allocation."

Number 2190

CHAIR CHENAULT offered his understanding: before September 11 there was \$500 million in war-risk insurance at a cost of \$589,000, whereas today there is \$150 million [of insurance] at an approximate cost of \$500,000.

MR. THOMPSON responded with the following clarification:

We have \$500-million limits, except for today. So if our maintenance somehow [inappropriately] leaves a piece of equipment on the runway at Anchorage International [Airport] and a jet goes down, we have that available to us. That's not arising from an act of terrorism [or] sabotage, ... that other category labeled "war risk," which would be the terrorism-sabotage-type activity - intentional damage. That would be limited to \$150 million today, ... at an additional cost of \$480,000.

Number 2140

REPRESENTATIVE MURKOWSKI requested confirmation that when the [war-risk insurance] was canceled, the state basically lost the \$589,000 it had paid in already.

MR. THOMPSON replied:

We retained the coverage that we purchased. But in the policy form is a condition that subject to certain major world events, or on their own initiative, they can cancel this specialty protection. During the Gulf War, we were issued a notice of cancellation - we were able to purchase that back for a very small amount, under \$25,000; that was not something that we brought to [the legislature's] attention - we just bought it back as a matter of course.

These costs were the greater part of what we initially paid for the program. ... We paid on a per-\$100 rate for the program, pre-9/11, 12 cents per \$100; we paid 32 cents to buy back the war-risk [insurance].

MR. THOMPSON highlighted other airports as an example: for \$150-million limits, Atlanta paid \$3 million; LAX [in Los Angeles] paid \$1.8 million for \$50 million worth of coverage; and Chicago paid \$10 million for \$150 million [of coverage]. He cited the figures, on a per-\$100 basis, of \$3.60, \$2.00, and \$6.67 [respectively]. Mr. Thompson indicated that the more major an airport is, and the more toward the East Coast, the higher the rate. He added, "We paid a different rate for the two pieces: the 50 million [dollars] and then the 100 [million dollar] excess, but it averaged 32 cents per \$100 of protection."

CHAIR CHENAULT offered his understanding that the "buy-back" was just for the war-risk component that had been taken away.

MR. THOMPSON specified that it is just that component for war-risk [insurance] that is being presented in [Items 133-135].

Number 2025

REPRESENTATIVE MURKOWSKI suggested the risk in rural areas wouldn't be nearly as high as in Anchorage or Newark [New Jersey]. She surmised that for smaller airports in the Southeast Region, there would be a much better rate because of

the lower risk, which would be the reason for the smaller dollar amount being requested there.

MR. THOMPSON answered:

Quite frankly, ... I think that's purely an allocation throughout the segments of the operating budget of [DOT&PF]. There's no different rate from the underwriter. We have, for our risk, a single rate: it protects all of our aircraft, all of our airports, and our spaceport, quite frankly.

REPRESENTATIVE MURKOWSKI asked how short "short-term" is.

MR. THOMPSON answered:

This purchase of the 480 [thousand dollars] was to replenish, to 150 [million dollars], what we had, through the end of this term. The projection for [FY] 03 is also ... presented, ... and we do not know with any certainty what the costs will be on renewal ... at 7/1 [the beginning of the next fiscal year].

AN UNIDENTIFIED SPEAKER asked whether this represents seven or eight months' worth of coverage. [There was no response.]

Number 1943

REPRESENTATIVE MURKOWSKI referred to discussion in the House Labor and Commerce Standing Committee [which she chairs] of the widespread increase in insurance costs as a consequence of the September 11 events. She suggested this particular instance is one "where they get you coming and going." She asked whether any assistance is being discussed on the federal level.

MR. THOMPSON offered his belief that there is still an effort to seek a federalized program to assist the total reinsurance market - not just for aviation or marine insurance. He said other countries have done so following September 11, "addressing airports." While Canada stepped in at the federal level and extended an umbrella to airport operators, the United States did not. Noting that he has information from all over the world, Mr. Thompson said many [countries provide this] on a national level to address terrorism, especially the European countries, which have experienced [terrorism] for years. Emphasizing that it is a very difficult issue for the reinsurers, he concluded, "But any certainty - I don't know."

Number 1864

MS. SLAGLE returned attention to Item 107, the law enforcement presence, fingerprinting requirements, and so forth. She informed the committee that Congress had passed some appropriation bills; specifically, \$175 million was made available for operating expenses for small, rural airports in the U.S. as a result of September 11. "We have applied to FAA for a portion of that," she reported. "And it looks very hopeful that we will ... may be receiving federal dollars to cover these expenses. And so we may be coming in with an amendment to change these from general fund to federal - just so you know that we are pursuing that."

Number 1806

CHAIR CHENAULT asked whether there was any idea of an amount [DOT&PF] would be looking at receiving, in federal funds overall, not just for this particular item.

MS. SLAGLE said she didn't have that figure. She pointed out that the items for the Anchorage International Airport are quite large, and she said most have been identified [by DOT&PF] for federal funding. She added:

Some of them ... we've requested specifically from another \$1.5-billion appropriation bill that the Congress has also, which would include operating and capital expenditures. And so we're pursuing that; ... I believe June is the deadline for that. ... If we don't get that, then there's also ... the ability to use some of our airport improvement program funding towards ... some of these items. So I don't know exactly how much we could anticipate from the federal government, but I think a large portion of it could be covered, specifically for the airports.

CHAIR CHENAULT thanked testifiers and asked whether there were further questions; none were offered. [HB 324 was held over.]

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Military and Veterans' Affairs meeting was adjourned at 4:35 p.m.