

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

May 12, 2003

5:36 p.m.

**MEMBERS PRESENT**

Representative Jim Holm, Co-Chair  
Representative Beverly Masek, Co-Chair  
Representative Hugh Fate  
Representative Vic Kohring  
Representative Dan Ogg

**MEMBERS ABSENT**

Representative Mary Kapsner  
Representative Albert Kookesh

**COMMITTEE CALENDAR**

HOUSE BILL NO. 304

"An Act naming the Jack Coghill Bridge to the Interior."

- MOVED HB 304 OUT OF COMMITTEE

HOUSE BILL NO. 315

"An Act relating to international airports revenue bonds; and providing for an effective date."

- MOVED HB 315 OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 304

SHORT TITLE: JACK COGHILL BRIDGE TO THE INTERIOR

SPONSOR(S): REPRESENTATIVE(S) COGHILL

Jrn-Date	Jrn-Page		Action
05/07/03	1416	(H)	READ THE FIRST TIME - REFERRALS
05/07/03	1416	(H)	TRA, STA
05/12/03		(H)	TRA AT 5:30 PM CAPITAL 102

BILL: HB 315

SHORT TITLE: INTERNATIONAL AIRPORTS REVENUE BONDS

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
05/09/03	1518	(H)	READ THE FIRST TIME - REFERRALS
05/09/03	1518	(H)	TRA, FIN
05/09/03	1518	(H)	FN1: (REV)
05/09/03	1518	(H)	GOVERNOR'S TRANSMITTAL LETTER
05/10/03		(H)	TRA AT 9:30 AM CAPITAL 17
05/10/03		(H)	-- Meeting Canceled --
05/12/03		(H)	TRA AT 5:30 PM CAPITAL 102

**WITNESS REGISTER**

REPRESENTATIVE JOHN COGHILL  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented sponsor statement for HB 304.

MIKE BARTON, Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

POSITION STATEMENT: Presented sponsor statement for HB 315,  
which was sponsored by the House Rules Standing Committee by  
request of the governor.

KEN SURA, Vice President  
Financial Planning & Program Implementation  
Landrum & Brown, Inc.  
Chicago, Illinois

POSITION STATEMENT: Testified on HB 315, providing details  
pertaining to the Alaska International Airports System Business  
Planning Information.

**ACTION NARRATIVE**

**TAPE 03-22, SIDE A**

Number 0001

**CO-CHAIR JIM HOLM** called the House Transportation Standing  
Committee meeting to order at 5:36 p.m. Representatives Holm,  
Masek, Fate, Kohring, and Ogg were present at the call to order.

HB 304-JACK COGHILL BRIDGE TO THE INTERIOR

CO-CHAIR HOLM announced that the first order of business would  
be HOUSE BILL NO. 304, "An Act naming the Jack Coghill Bridge to  
the Interior."

CO-CHAIR HOLM began the meeting by referring to pictures of the bridge [supplied by the Department of Transportation & Public Facilities (DOT&PF)] which crosses the Nenana River at the area called "Rex Crossing."

Number 0148

REPRESENTATIVE JOHN COGHILL, Alaska State Legislature, speaking as the sponsor of HB 304, clarified that the bridge is currently called "Bridge #216." He said there is a story behind naming of the bridge, and there is also a story behind the bridge itself. He told the committee of a conversation that his middle son, Joshua, had with Joshua's grandpa [Jack Coghill]. One day, as they were driving across this bridge on their way to Healy, grandpa told the story of how this bridge came to be, and ever since hearing that story, Joshua "put it in his head that he wanted to do something about it" - that is, to name the bridge after his grandfather.

Number 0177

REPRESENTATIVE COGHILL then told the committee that in the early 1960s, during the time his father [Jack Coghill] was in the Senate, before there was even a road coming to or from the bridge, it received appropriation under his guidance. After construction, there wasn't a road to or from the bridge for another 15 months. He said that he's had a difficult time finding people who were in the legislature during that time who could tell him more of the story. He explained that he doesn't have more of the story from his dad because he hasn't told him about HB 304 and is hoping that the naming of the bridge would come as a surprise.

CO-CHAIR HOLM commented that a lot of the people who served with Jack Coghill are no longer with us. For the record, he noted the passing of former Senator Bill Waugaman that morning, a great man who would be missed.

CO-CHAIR MASEK said this honoring of the Representative's father was well deserved.

Number 0501

CO-CHAIR MASEK moved to report HB 304 out of committee with individual recommendations and the accompanying fiscal note. There being no objection, HB 304 was reported from the House Transportation Standing Committee.

HB 315-INTERNATIONAL AIRPORTS REVENUE BONDS

CO-CHAIR HOLM announced that the next order of business would be HOUSE BILL NO. 315, "An Act relating to international airports revenue bonds; and providing for an effective date."

Number 0620

MIKE BARTON, Commissioner, Department of Transportation & Public Facilities (DOT&PF), presented the sponsor statement for HB 315, which was sponsored by the House Rules Standing Committee by request of the governor. He said the bill would raise the bonding authorization for revenue bonds for the Ted Stevens Anchorage International Airport and the Fairbanks International Airport by \$76.6 million and that the request is for authorization to sell revenue bonds to finance the additional costs. He said that a briefing of the additional costs had been provided in mid-March.

COMMISSIONER BARTON said his intent was to provide some background information and that people were on line to answer questions in greater detail. He began by saying that the Fairbanks and Anchorage airports were operated as a system. The operation is governed by what's known as an "airport operating agreement," which is essentially a contract between airports and airlines and establishes a business relationship between the two parties. It obligates the airlines to pay for the cost of running and maintaining the airport, including capital projects and bonded indebtedness, through the fees that are charged at the airport. It also obligates the airport to a secure agreement on costs including capital projects.

COMMISSIONER BARTON said that in 1997 the airlines agreed to fund the terminal re-development projects. Two sets of revenue bonds were previously issued, one in 1999 and one in 2002, and HB 315 is somewhat similar in that it does not constitute an obligation to the state, the bonds are insured, and it does not involve general fund monies.

COMMISSIONER BARTON continued that there have been discussions with the airlines since January about how to cover the additional costs and agreements have been reached on a number of things. One is that Concourse C needs to be completed; the airlines agree with that. The department has agreed to defer \$60 million in capital projects to later years in order to minimize the impact of this on the airlines, and has also

agreed to continue with capital projects that are largely funded by federal money. Commissioner Barton mentioned that Dave Eberle [DOT&PF] was on line, and could walk the committee through the "Legislative Briefing" in the committee packet, although it would largely be a repetition of what was presented in mid-March.

CO-CHAIR HOLM responded that it wasn't necessary to review the briefing, as it was presented during a subcommittee meeting as well as at an [overview on March 13, 2003].

COMMISSIONER BARTON then referred to the "Alaska International Airports System Business Planning Information" included in the committee packet that was put together by a financial consultant, and in particular, Ken Sura of Landrum & Brown, Inc., in Chicago, a company that's been involved with various airport projects, including projects in Chicago, Toronto, Cleveland, San Jose, and San Diego. He directed the committee to page 18, indicating the request for a bonding authority amount of \$76.6 million. He pointed out that of that amount, \$48.0 million is for the terminal project, \$10.0 million is for the capital improvement project (CIP) for Anchorage for fiscal year 2004 (FY 04) - and is the match money for federal funds - and \$3.5 million is for CIP funding for Fairbanks, which is also match money for federal funding, and there are other financing costs for the bond package, which is \$15.1 million.

Number 1048

COMMISSIONER BARTON explained the context for the bond request and the expectations regarding economic activity and continued airport operations over the next several years. He said that no general fund monies are involved, nor is the credit of the state involved; the bonds are secured by the revenues generated by Anchorage and Fairbanks, and the insurance company is the ultimate payor in the event of a problem.

CO-CHAIR HOLM inquired about [previous] testimony regarding net revenues amounting to 1.25 times [the Aggregate Annual Debt Service].

COMMISSIONER BARTON responded that the airport is required to collect from the airlines 1.25 times the annual debt service.

CO-CHAIR HOLM asked if this amount - 1.25 times the annual debt servicing - includes, with projections, the \$76.6 million that is being requested.

COMMISSIONER BARTON confirmed that this was the case.

CO-CHAIR HOLM thereby confirmed that projections indicate that the amount can be managed. He then referred to the [House & Senate joint overview meeting of March 13, 2003] in which fees, including landing fees, were indicated, and asked why Anchorage's fees were so low, noting that the amount was significantly lower than that for Seattle or Los Angeles.

COMMISSIONER BARTON commented that the Anchorage airport is very efficient, is well run, and is a reasonably low-cost operation.

Number 1236

KEN SURA, Vice President, Financial Planning & Program Implementation, Landrum & Brown, Inc., said that primarily, landing fees are a function of the structure of the operating agreement as well as a function of where the airports are in their particular development cycles - that is, the investments being made in capital programs. He said that the taking of such a "snapshot" presents an uneven comparison of Anchorage and Fairbanks with other airports.

CO-CHAIR HOLM replied that this did not answer his question, and asked if a "snapshot in time" was taken with given parameters set, so that apples were being compared to apples rather than comparing apples to oranges. He asked why the landing fees in Anchorage are so much less than those of other airports.

MR. SURA said this was due in part to the take-off weight from cargo carriers because that helps to reduce the landing fee, and is a function of how the agreement with the airlines is negotiated.

COMMISSIONER BARTON offered that Anchorage is the busiest cargo airport in the country.

CO-CHAIR HOLM added that in addition to acknowledging that, Alaskans pay the highest amount in the country for traveling from points a-to-b. He questioned why the landing fees were so low and what the correlation might be between these fees and the high costs of travel in Alaska. He noted that a one-way ticket from Fairbanks to Anchorage was \$170, while flying from Seattle to San Diego could be as low as \$99.

MR. SURA responded that these prices were not a function of the landing fees, terminal rentals, or other charges, but were a function of what the market would bear. Because of the necessity to have air service from Alaska to the Lower 48, in a capitalistic market, the airlines will charge what they can charge.

CO-CHAIR HOLM responded that he was aware of that, but wondered if the cost of transportation in Alaska was being elevated by virtue of subsidizing the landing and take-off fees for commercial freight handling and wondered what the relationship was between that and the cost of passenger travel. He mentioned that he just flew roundtrip and the TSA [Transportation Security Administration] fees were \$52. He asked if there should be some commensurate increase in the landing fee to offset some costs, and asked if this had been addressed.

MR. SURA said this had not been addressed. He indicated that across the country there is a lot of conversation regarding how the new TSA security requirements would be funded, and airports are working to get additional funding. Currently, there is no funding specifically identified by the TSA or the DOT.

Number 1548

COMMISSIONER BARTON told the committee that \$20 million of the added cost is a result of TSA security requirements, and referred to page 20 [of the "Alaska International Airports System Business Planning Information"] which addresses the [Alaska International Airport System (AIAS) Plan of Finance, Landing Fees], according to the anticipated completion of the whole terminal project as well as some capital projects and future bonding. To recapture the \$20 million that has been invested in Anchorage for TSA requirements; that is captured in this landing fee. He said that the department is pursuing direct reimbursement with the TSA as well, and that a number of airports across the country are doing that, however, not very successfully, so far.

REPRESENTATIVE OGG asked about the timeframe involved.

COMMISSIONER BARTON answered that the bonds would be paid off in 25 years.

CO-CHAIR HOLM referred to the [AIAS Plan of Finance] on page 20, commenting that there is a significant difference between the

feasibility study and the plan for financing by nearly 50 percent.

MR. SURA replied that the 2002 feasibility study did not contemplate this particular bond issue or the other bond issues seen in this presentation. The 2002 feasibility study was based on what at that time was a negotiated agreement between AIAS, the airport system, and the airlines, to fund a \$333 (indisc.) five-year CIP. He reiterated that the feasibility study numbers reflect the negotiated agreement between the airlines and the airport system that was to fund \$333 million over a five-year period. The AIAS revised forecast includes the completion of Concourse C as well as the expected funding for the completion of Concourses A and B and the completion of the CIP program. He said, "That's why the numbers vary in the years beyond what's anticipated."

Number 1781

REPRESENTATIVE KOHRING asked if the original amount that was authorized by the legislature several years ago was approximately one-quarter million dollars.

COMMISSIONER BARTON said that \$330 million was originally authorized.

REPRESENTATIVE KOHRING, commenting that this amount was about 1/3 of \$1 billion, questioned why more was needed than was originally requested, asking if it was due to major modifications made to the original design as well as from accommodation overruns.

COMMISSIONER BARTON replied that the additional monies are needed for the TSA requirement, in the amount of \$20 million, and that \$30 million is for redesigning the structure as a result of some differences in the early stages in interpretation of seismic codes; the delay in resolving that, as well as the changes, resulted in \$30 million. He also said there were some added space requirements that have been financed.

REPRESENTATIVE KOHRING asked, given the size of this major project and the amount of debt, if the commissioner was confident that the projected revenues would be available.

COMMISSIONER BARTON confirmed that the risk would be minimal.

REPRESENTATIVE KOHRING then asked what assurances were available to indicate that the revenues would be adequate.

COMMISSIONER BARTON replied that the bulk of the revenue from the airport comes from cargo carriers, and the cargo market looks good, with the forecast for the improvement of cargo looking good, as well. The Asian cargo market is projected to be the leader of that increase. He said that there will be some increase in passenger traffic. He referred to page 5 [AIAS Business Planning Information] indicating a trend line that shows what has happened over the past 40 years regarding how the system has responded to various shocks; the trend line has grown from 60 million [U.S. Revenue Enplanements] in 1960 to a projection of about 650 million in 2001.

COMMISSIONER BARTON then referred to page 6, which shows what's happening in the Asia cargo market, and page 8, which shows cargo projections [Total Gross Take Off Weight] and lists amounts such as 5 percent, or 3.4 percent.

REPRESENTATIVE KOHRING said he heard the original legislation several years ago, perhaps in 1999, and that although he is disappointed that the cost is greater, he recognizes the reasons for the increase. He referred to the original design, which called for a connection with the International Terminal, and wondered why this had been changed.

COMMISSIONER BARTON responded that this was deferred as part of a capital project deferral in order to minimize the impact [of the increase]. He confirmed that this connection remains a plan for the future.

Number 2174

CO-CHAIR MASEK moved to report HB 315 out of committee with individual recommendations and the accompanying fiscal notes; she requested unanimous consent. There being no objection, HB 315 was reported from the House Transportation Standing Committee.

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 6:20 p.m.