

**ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE**

May 9, 2003

5:42 p.m.

MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Thomas Wagoner, Vice Chair
Senator Gene Therriault
Senator Georgianna Lincoln
Senator Donny Olson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 216

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

HEARD AND HELD

PREVIOUS ACTION

SB 216 - No previous action to record.

WITNESS REGISTER

Commissioner Mike Barton
Department of Transportation &
Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898
POSITION STATEMENT: Testified on SB 216

David R. Eberle
Project Manager for the Terminal Redevelopment
P.O. Box 196900
Anchorage, AK 99519-6900
POSITION STATEMENT: Testified on SB 216

Kip Knudson
Deputy Commissioner of Aviation
Department of Transportation &
Public Facilities

3132 Channel Dr.
Juneau, AK 99801-7898
POSITION STATEMENT: Testified on SB 216

Ken Sura
V.P., Landrum & Brown, Inc. Airport Consultants
11279 Cornell Park Dr.
Cincinnati, OH 45242
POSITION STATEMENT: Testified on SB 216

John Steiner
Department of Law
PO Box 110300
Juneau, AK 99811-0300
POSITION STATEMENT: Answered question regarding SB 216

Tom Boutin
Department of Revenue
PO Box 110400
Juneau, AK 99811-0400
POSITION STATEMENT: Answered questions regarding SB 216

ACTION NARRATIVE

TAPE 03-03-19, SIDE A

CHAIR JOHN COWDERY called the Senate Transportation Standing Committee meeting to order at 5:42 p.m. Present were Senators Thomas Wagoner, Gene Therriault, Georgianna Lincoln, and Chair John Cowdery. Senator Donny Olson arrived momentarily. SB 216 was the first order of business.

#SB 216

SB 216-INTERNATIONAL AIRPORTS REVENUE BONDS

CHAIR JOHN COWDERY explained the bill relates to bond funding of capital improvements for the Alaska International Airports System [Ted Stevens Anchorage International Airport and Fairbanks International Airport]. It would increase the total authorization for international airport revenue bonds and allow the sale of up to \$76,600,000 in new revenue bonds to support FY 04 through FY 06 capital improvement programs. Specifically, Concourse C at Anchorage International is unfinished and additional funds are needed by September 2003.

Anchorage International accounts for over ten percent of the employment in the municipality and everyone agrees that the project must move forward. Interim meetings are scheduled and he has asked all Anchorage legislators to participate. The funding shortfall came as a result of difficulties with design engineering that didn't meet seismic requirements and additional costs associated with increased security after 9/11. Suit will be filed to address the design errors and he believes the 9/11 costs will be reimbursed but, the money was spent and there is a shortfall.

SENATOR THOMAS WAGONER stated the committee members had already seen the May 2003 Legislative Briefing [see bill file] and he would like get basic information on the necessity of the bonds and the amounts. The bill is primarily a finance bill.

CHAIR COWDERY agreed and said he takes pride in the bill because much of the language comes from legislation he introduced in 1998. He asked the commissioner to come forward.

COMMISSIONER MIKE BARTON, Department of Transportation & Public Facilities, said he was ready to give a brief review of the March 13, 2003 presentation and also had a short presentation on the financial aspects of the bill, but he was willing to forgo the presentations and answer questions if that was the will of the committee.

CHAIR COWDERY asked for the will of the committee.

SENATOR DONNY OLSON said he would like an update from the commissioner.

COMMISSIONER BARTON explained the Airport Operating Agreement for the Anchorage and Fairbanks airports is a contract between the airlines and the airport. It obligates the airlines to pay for the cost of running the airport and the capital projects on the airport, including bonded indebtedness and is a common way of financing capital projects. It also obligates the airport to secure agreement from the airlines on all costs including capital projects.

In 1997 the airlines agreed to the terminal redevelopment and bonds were issued in 1999 and 2002. The proposed issue is the same as the previous two, it would be insured and is not an obligation of the state and no general fund money would be used. Rates and fees charged by the airlines would go toward

liquidating the bonds. Discussions with the airlines have been ongoing since January and are complex.

SENATOR WAGONER asked about the \$10 million insurance policy that would likely require several million dollars in legal fees to collect. He asked if the \$10 million was calculated into the \$76.6 million figure.

COMMISSIONER BARTON said it is separate.

SENATOR OLSON asked whether he had a letter from Evergreen of Alaska dated April 28, 2003.

COMMISSIONER BARTON said he received a copy, but he didn't have it with him.

DAVID R. EBERLE, Project Manager for the Terminal Redevelopment, explained there have been three areas of cost increase in the project. One was anticipated and the other two were not so both the budget and the schedule were impacted. In 1997 both parties agreed that there would be space increases because the square footage requirements were just estimates. The needed space ultimately increased by nearly 86,000 square feet and required an additional \$22 million in construction costs. The agreement with the airlines was to use the interest earnings from the bonds to offset that cost. Unexpected were: the cost of delays; the permitting problems; and 911 and the associated security requirements.

He referred to page 9 of the May 2003 Legislative Briefing book to show the cost increases as compared to the original budget. The original terminal redevelopment was estimated to cost \$230 million and the additional square footage ran \$22 million. Permit delays cost \$33 million and the security impacts from 911 cost \$23 million. The current estimate for the project is \$308 million and excludes renovation of the existing A and B concourses.

He outlined the funding that is currently available for the project versus the \$308 million that is needed as follows:

- Revenue bonds \$204 million
- Federal Highway Administration money \$ 26 million
- Interest from the bonds \$ 24 million
- Additional interest earned \$ 5 million

- **Total available funding** **\$259 million**
- Cost estimate at completion \$308 million
- **Funding shortfall** **\$ 49 million**

Concourse C is a major component of the project and they estimate the funds will be depleted sometime in September 2003. Consequently, they are requesting an additional \$50 million in bonding authority to cover the shortfall and complete Concourse C.

KIP KNUDSON, Deputy Commissioner of Aviation with the Department of Transportation & Public Facilities, advised there are other elements in the proposed bonding package. [See bill file.] He referred to page 18 of the Alaska International Airports System Business Planning Information handout to show the total \$76.6 million requirement:

- Project requirement \$50.0 million
- Contribution from IARF (\$2.0)million
- Completion of C Concourse \$48.0 million
- ANC FY 04 CIP net state match requirement \$10.0 million
- FBKS FY 04 CIP net state match requirement \$ 3.5 million
- Other financing costs \$15.1 million
- **Total FY 04 bond requirement** **\$76.6 million**

CHAIR COWDERY asked when the last bonds were sold.

DEPUTY COMMISSIONER KNUDSON replied it was in 2002 for the two year program.

SENATOR GEORGIANNA LINCOLN asked for verification that the Fairbanks requirement was \$3.5 million.

DEPUTY COMMISSIONER KNUDSON said that's what it is for the 2004 to 2006 time frame. He added Fairbanks intended to make terminal renovations, but they found seismic and hazardous materials problems and stopped the work. The \$3.5 million will match about \$25 million in federal funds for airfield projects in Fairbanks.

SENATOR LINCOLN asked how the money is shifted from Anchorage to Fairbanks.

DEPUTY COMMISSIONER KNUDSON explained the system used to be cash financed; they would raise money directly from the airlines to match the federal dollars. Under the current system, the proceeds from bond sales are used to match the federal dollars. With every bond sale, a portion is allocated for Fairbanks International capital projects.

SENATOR LINCOLN asked if this bonding was available only to Fairbanks and Anchorage and not Juneau or other areas.

DEPUTY COMMISSIONER KNUDSON replied Juneau International is municipally owned and they could go out to bond.

CHAIR COWDERY asked Commissioner Barton to explain why this applies to Anchorage and Fairbanks.

COMMISSIONER BARTON explained the Fairbanks and Anchorage International airports are operated under a common system.

DEPUTY COMMISSIONER KNUDSON continued to explain that this is an enterprise system and all the revenues earned from the two airports are put into a common fund and the expenses are paid from that fund. The revenues to pay the bond funds are incorporated into the two-airport system. They are joined because they serve the same market and each could be considered an alternate to the other.

SENATOR GENE THERRIAULT asked what period the \$3.5 million match covered.

DEPUTY COMMISSIONER KNUDSON advised it is for projects that will occur in FY 04 through FY 06.

SENATOR THERRIAULT restated this is money that would be used to provide the state match to capture federal funds and is not general fund spending.

DEPUTY COMMISSIONER KNUDSON agreed and added that the state would use general fund dollars to match federal money for rural airports. In the international system [AIAS] they are able to use the bond funds.

SENATOR THERRIAULT asked him to expand his explanation of the Anchorage requirement.

DEPUTY COMMISSIONER KNUDSON said the FY 04 through FY 06 Anchorage projects are primarily funded with federal dollars. The \$18.4 million is match money for the federal dollars. Technically that would be the bonding requirement. They can reduce that by \$1 million because they are going to delay a project from FY 02-FY 03 and they are able to collect PFCs [\$3.50 charge] at the airport and they will apply them as match money to the federal dollars. The net state match requirement is \$10 million.

He advised they hired a consultant to conduct a feasibility study and he could explain how they are able to afford the bonds.

KEN SURA, Vice President with Landrum & Brown, advised the company is an airport consulting firm that has been working with the state and AIAS in particular. He advised it was his firm that prepared the booklet the deputy commissioner referred to earlier. There are two federal programs to provide for airport development. First is the Airport Improvement Program (AIP) that has \$3.4 billion appropriated for 2003. More importantly, a new act was signed in April 2003 to provide an additional \$3.5 billion in federal assistance to the airline industry. Of that, \$665 million was earmarked for the TSA [Transportation Security Administration] and \$235 million of that will go to airport explosive detection systems.

He pointed to page 4 to show:

Changing North American Market

- Expansion of low fare carriers into long-haul markets
- Mainline hub carriers realigning regional flights - 500 miles or less
- Increasing role of regional jets
- Longer-haul transcontinental routes - Alaska Air going cross country

Key Elements to Industry Recovery

- Needs capacity reduction by reducing aircraft size to match demands
- Restructure labor agreements for mainline carriers
- Re-aligning existing hub networks

Near Term Forecast

- Need to evaluate potential bankruptcy scenarios

- Need to manage demand/capacity through continuing schedule reductions
- Industry as a whole should recover by 2005

SENATOR LINCOLN asked for an explanation of realigning the hub networks.

MR. SURA explained that the airlines that operate hubs, such as United, Delta, American and Alaska, are trying to balance activity flowing through the hub so traffic flows more evenly throughout the day.

CHAIR COWDERY asked what would happen if some of the airlines that service Alaska aren't able to survive.

MR. SURA replied the AIAS is referred to as an origin and destination market and a spoke-market. That means there is built in and basic demand for the service, which provides credit rating stability. If one airline goes under, another airline would pick up service for the region. Rating agencies and industry analysts are more concerned with hub airports because of the amount of connecting activity that flows through the hubs. Those are the ones whose credit ratings have been affected.

SENATOR OLSON said he had a question regarding regional jets taking over some of the short haul markets. There are a number of Alaska hauls that are over 500 miles, but most are under that and he wondered if increased regional flights were anticipated for Alaska.

MR. SURA replied it wouldn't be to those markets. His comment related to those markets that Alaska uses that are fed by Horizon. For instance, to increase their traffic out of Seattle into Alaska, Alaska Air might rely more on Horizon to feed passengers into Seattle and they would fly fuller aircraft into the state.

6:12 pm

SENATOR OLSON said two carriers used to fly out of Juneau, but now there is just one. Those departing flights have been running full and he wasn't sure the previous statement was entirely correct for the Juneau market at least. When there's a single carrier servicing Nome, Kotzebue, Barrow and Bethel there's no other way out of those communities if that single carrier goes under.

MR. SURA asked if his remark related to another airline stepping in to fill demand.

SENATOR OLSON said it did. Three airlines flew into those areas in the 1980s and now there is just one and the flights are full.

MR. SURA clarified he was referring to the Anchorage market.

SENATOR THERRIAULT said neither Alaska nor the other airline is full flying full and if the other airline were to pull out, Alaska Air wouldn't have to double its flights to meet the demand.

MR. SURA agreed.

SENATOR THERRIAULT expressed the concern that although the market is served, there wouldn't be as many landings to service the debt load.

MR. SURA explained the new operating agreement diversifies the way airlines pay fees and charges at the airport system; it's not all dependent on landing fees. [Page 10]

MR. SURA continued his presentation and noted page five shows the trend line for revenue enplanements for the entire U.S. industry. It shows industry specific events and the recovery time from each. Although revenues were above the trend line prior to September 11, that significant event and the subsequent downturn in the economy led them to predict a three to four year recovery period before getting back to the trend line.

SENATOR LINCOLN referred to the chart and asked for the significance of the red lines.

MR. SURA said they indicate how long it took to recover from each event.

SENATOR LINCOLN noted the chart ended at 2001.

MR. SURA explained the 2002 data hasn't been assembled.

Page six has two charts. One shows that major air cargo markets contracted severely in 2001 and are now recovering while the other forecasts that Asia cargo markets served from AIAS will lead the industry in growth out to 2021.

When they prepare a feasibility study they look at enplanements as one of the three or four key airport activities. Page seven shows enplanements and is one half of the passenger equation, which is people getting on an aircraft at Anchorage or Fairbanks to depart to some other destination. The 2002 feasibility study was completed just six months after September 11 and actual data shows the estimates were conservative in the out years. Revised annual growth rates show a 2.6 percent increase for the next five years and 2.7 percent for 2007 to 2010.

SENATOR LINCOLN commented that Anchorage probably accounts for a majority of the enplanements.

MR. SURA agreed; about 92 percent of the enplanements come from Anchorage.

CHAIR COWDERY noted Air France recently stopped service in and out of Fairbanks.

MR. SURA pointed to the total gross take off weight figures on page eight, which are used to determine actual landing fees. He noted the actual weights are tending to be about ten percent above what they predicted for FY 04. He pointed to the chart to show how fast the market recovered in terms of total take off weight, which includes both passenger and cargo.

SENATOR OLSON said he though he was talking about the landing fees related to the landing weight.

MR. SURA said it is the denominator in the calculation of the landing fee.

SENATOR OLSON asked why look at a total gross take off weight if that's the case.

MR. SURA replied take off weight is used for the landing fee calculation. He added some airports use take off weight and some use landing weight.

Page nine shows the air cargo tonnage. The previous study doesn't extend beyond FY 03. The revised forecast anticipates growth rates of 6.2 percent for FY 02 to 07 and 3.2 percent for FY 07 to FY 10.

Airline rate and charge methodology is addressed on page 10. Specifically, maintenance & operating expenses plus annual debt

service [principal and interest for revenue bonds issued] plus fund deposit requirements minus non-airline revenue [concession & parking revenues] equals the net airline requirement. This is the residual agreement meaning the risk of continuing to operate the airport or make capital investment in the airport is entirely borne by the airlines.

In addition, the AOA:

- Creates five administrative reserve funds within the AOA
 - Maintenance and Operating - Equal to 25 percent of the annual expenses
 - Supplemental Repair and Replacement
 - Airport System Capital Project
 - Airport System Development
 - Excess Revenue
- Obligates the airlines to pay AIAS revenue bonds through rates and charges - Allocates to specific areas depending on the project
- Establishes capital project consultation procedures
- Establishes airline lease obligations and accommodation procedures

SENATOR LINCOLN asked what the tonnage breakdown is for Fairbanks and Anchorage.

MR. SURA said he didn't have that data.

He continued to say:

Bond resolution is addressed on pages 12 through 15.

- Rate Covenant: Annual net revenues are at least equal to 1.25 times aggregate annual debt service
- Additional Parity Bonds Requirements: All bond series have equal standing. For three years after project completion, there will be sufficient revenues to maintain at least 1.25 times aggregate annual debt service.

SENATOR LINCOLN asked for assurance that there would be an annual review to ensure there would be sufficient revenue for each of the subsequent three years.

MR. SURA said it's an annual review and when the audit is completed at the end of the fiscal year that data is included in the financial statements.

Page 13 gives the actual language in the bond resolution. It says the revenues from the airport system are the sole guarantee of the bonds. It is in the 1999 and 2000 bond resolution and would be in the 2004 resolution as well. For each series of bonds that is issued there is a stand-alone resolution that mirrors previous resolutions.

SENATOR OLSON asked him to reaffirm that the state's bonding ability would not be impacted in the event of a default.

MR. SURA said that was correct. The credit agencies refer to these bonds as project financed. They have no affect on the state's bond rating. He pointed out that if a state were to default that might affect the ability of an airport to issue revenues bonds because the underlying economic conditions of the state would be of concern, but an airport is an enterprise fund and it's viewed as a separate entity by investors and rating agencies.

SENATOR OLSON asked if documentation for that language [security resolution on page 13] was available.

MR. SURA advised it's in the prospectus for each series of bonds that's issued.

Page 14 shows the flow of funds and it's important to note that as revenue comes in it is deposited in the interest account first and then into the bond retirement account.

SIDE B
6:30 pm

Page 15 highlights the interrelationship and need for alignment between the AOA and the state's bond resolutions. The former is always subordinate to the latter to ensure the flow of funds. That was key when they renegotiated with the airlines. When they went forward with issuing future debt, one of the things agreed to in the operating agreement was a five-year capital improvement program of \$330 million. The deferred projects the commissioner referred to were projects from that negotiated list in the operating agreement.

SENATOR LINCOLN asked why the AOA has to say it is subordinate to the state's bond resolution if in fact the state isn't pledging its credit on these bonds.

MR. SURA referred to pages 11 and 14 to explain that additional reserve funds were created within the operating agreement. The fund requirements listed on page 11 wouldn't be funded until the flow of funds shown on page 14 is satisfied. That is the reason the AOA is subordinate to the bond resolution; payment of the bonds has priority.

Page 16 shows the bond issues beginning in 1993 through 2002. Of the original \$379.8 issued, there is \$368 outstanding as of June 30, 2002. The chart also shows the annual debt service for each of the bonds as well as the rating.

SENATOR THERRIAULT asked if 1993 was the first bonding.

MR. SURA thought that was the first issue.

Page 17 is a representative schedule from conception to actually marketing the bonds.

Page 18 was covered earlier and page 19 shows the funding requirements for all projects in the TRP and remaining projects in the CIP that were negotiated with the airlines. Page 20 forecasts landing fees for FY 03 through FY 10. For comparative purposes, the amounts in the 2002 feasibility study, the original numbers and the revised forecast are included. Page 21 has a similar calculation for the terminal rental rates.

The last five pages give comparative airport data and plans. They looked at a cross section of airports, ones dominated by cargo, ones that are spoke-markets and others that are hubs. Debt service is shown, as is the number of bonds issued since September 11. Risk assessment is addressed on page 25 and includes scenarios some of the rating agencies ask them to evaluate. Those include operational risk, project risk and financial risk. The last page is findings and recommendations.

SENATOR LINCOLN asked if they had done a realistic analysis of any or all of the risk assessments listed on page 25.

MR. SURA stated they hadn't done so, but because the forecasts are used for financial purposes they are very conservative. He thought that was demonstrated with the new figures that are four years ahead of the 2002 figures. The same would be true for a forecast prepared for the FY 04 bonds. Raters and investors are looking for a range of where the scenarios may end up and the analysts assign probabilities to the numbers.

6:40 pm

CHAIR COWDERY asked if it was true that the Legislature could approve this, but if the buyers decided it wasn't prudent, they wouldn't purchase.

MR. SURA said yes. He then advised that Dallas sold \$1.46 billion in bonds two and one half weeks ago, which is the largest single issue ever sold. In addition, it was over subscribed 2.5 times indicating the bond market is particularly hungry for airport revenue bonds because they're safe and stable and are returning 4.5 percent. Another thing to consider is that airport costs are about four or five percent of an airlines total operating expense so what they pay in landing fees is relatively minor compared to labor, fuel, aircraft leases and other costs.

CHAIR COWDERY asked how the landing fees compare with other airports.

MR. SURA replied they are comparatively low; most airports are over \$2.00. Fees also depend on whether there has been any capital investment recently.

CHAIR COWDERY asked if airport projects ever come to an end.

MR. SURA pointed out that airports are open 24 hours a day and are always changing. Projects are completed while others are ongoing.

SENATOR LINCOLN commented Fairbanks is finished and has been for some time.

SENATOR OLSON asked what happens to the projects at airports that shut down. He said the Denver airport shut down.

MR. SURA replied Stapleton was intentionally closed and a new one constructed.

CHAIR COWDERY commented the Kansas City airport outgrew the space.

MR. SURA agreed and said they then built one outside of town and it's now surrounded by commercial and residential development.

SENATOR LINCOLN said she does see the growth at the Anchorage airport, but comments included in the March 25 report recommend

deferring construction and getting the project back within the original budget. These comments are from the users of the terminal and she questioned whether the concerns had been addressed.

CHAIR COWDERY said he hasn't had one carrier say the project shouldn't be finished. At the first hearing the discussion centered around \$120 million so there has been a scale back.

SENATOR LINCOLN said she would like to hear from the major carriers before the bill reaches the floor.

CHAIR COWDERY repeated his statement that the bonding companies would require assurance that the airlines were committed.

COMMISSIONER BARTON said all the carriers agree that terminal C should be completed; there is no disagreement in that regard.

SENATOR LINCOLN asked where the disagreement lay.

COMMISSIONER BARTON replied there is disagreement regarding the procedure for renovation of the rest of the terminal and on the passenger facility charge that the airport will contribute to the rate base for the next six years. Negotiations with the airlines are ongoing, but he feels they are close to agreement.

6:47 pm

CHAIR COWDERY advised he spoke with the airlines representative earlier in the day and all carriers were in agreement that Concourse C must be finished.

SENATOR LINCOLN asked if there might be any circumstance under which the State of Alaska could be held liable.

COMMISSIONER BARTON said he didn't believe so.

At ease from 6:48 pm to 6:49 pm

SENATOR OLSON asked for the AOA membership.

COMMISSIONER BARTON said he couldn't name them all, but they were the airlines operating out of Anchorage International.

SENATOR OLSON asked if there were 121 carriers.

COMMISSIONER BARTON said he thought there were 135 operators and proceeded to read a partial.

SENATOR OLSON respectfully pointed out the list was dated.

COMMISSIONER BARTON noted the list was from June 30 1996 and said he would provide an updated list.

SENATOR OLSON asked who was waiting to give teleconferenced testimony because he would like to hear from individuals that would be affected and whose views might not have been heard.

CHAIR COWDERY said he had John Steiner on line and asked if he had any comments.

MR. STEINER from the Department of Law advised he had no particular comment.

COMMISSIONER BARTON announced he had an updated list and could read it or submit it for the record.

CHAIR COWDERY asked him to submit a copy.

SENATOR LINCOLN restated her concern regarding whether the state might be liable for the bonding in a worst-case scenario.

MR. STEINER replied he thought the commissioner was correct that, under the bonding documents, only the revenues of the airport are subject to the liability. However, because the bonds are insured to protect the bondholders, they would need to confirm that the insurance company could look only to the revenues of the bonds and not to the state.

TOM BOUTIN with the Department of Revenue explained he was also representing the State Bond Committee, which has issued international airport bonds 14 times since 1968. He advised there are different levels of state credit for the different kinds of debt and the bonds under discussion are stand-alone revenue bonds. Under the resolution passed by the State Bond Committee and referred to in previous testimony, the trustee has a right to enter the airport and take over the airport operations on behalf of the bondholders in a worst-case scenario. He added he couldn't imagine that actually happening, but the state's credit wouldn't be on the line in any case.

He said the bond committee has sometimes found financial guarantee insurance to be cost effective. You would purchase an

AAA rating from a financial guarantee insurance company calculating you would get a better interest rate over and above the cost of that insurance. The bondholders buy an AAA credit and the financial guarantee company has the risk, but the state isn't obligated whatsoever.

SENATOR OLSON asked about Mr. Sura's statement that there has never been a default on airport bonds.

MR. BOUTIN said he was knowledgeable regarding Alaska and there certainly hasn't been a default of Alaska international airport revenue bonds. In fact, there hasn't ever been an event in the state in which the resolution was called upon for the trustee to enter and force an action.

SENATOR OLSON asked about any defeasance and whether he was familiar with the difficulty associated with the cost overruns and schedule difficulties with the north terminal of the international airport in the 1980s.

MR. BOUTIN said in public finance the term defease isn't usually related to credit circumstances. In public finance, bonds are defeased when the issuer purchases government or AA securities for which the interest payments and maturities are timed to be coordinated directly with the debt service payments on the bonds being defeased. The bonds being defeased are no longer an outstanding credit of the issuer because AAA U.S. government securities would be in escrow to secure those bonds.

Alaska international airport bonds have been defeased from time to time, but not as an event of default. Usually it was an event of advance refunding, but with tax code changes, advance refunding has become rare.

He said he would look into the circumstance of the north terminal because he was unfamiliar with the matter.

SENATOR OLSON thanked him and stated he was willing to wait until the following day to finish his questions.

CHAIR COWDERY held SB 216 in committee and recessed the meeting until 9:00 am the following morning.

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