

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 equipage 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.