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543

SENATE FINANCE COMMITTEE REPORT

DATE: 5/1/90

FURTHER:

DATE TURNED INTO OFFICE: 5/2/90

The Finance Committee considered

SB 543

Authorizing the Alaska Industrial Development and Export Authority to issue bonds for an aircraft maintenance facility located at the Anchorage International Airport; granting the authority an exemption from the state procurement code for contracts relating to airports; efd.

and recommended:

replace with _____ CS
 or adopt _____ CS SB 543 (L&C)

same title
 new title
 technical title change (HB only)

attached amendment(s)
 _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

APPROVES PREVIOUS:
Dept/Date:

fiscal note(s) _____

zero fiscal note(s) DC&ED 4/2/90

SIGNING DO PASS:

[Signature]

[Signature]

1. [Signature] DO PASS

OTHER RECOMMENDATIONS:

[Signature] - No Rec

[Signature] No Rec

[Signature] No Rec

2. _____

Co-Chairs: Signatures and Recommendations

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to issuance of bonds and procurement of an Aircraft Maint.
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Commerce & Economic Dev.
BRU: Alaska Industrial Development and Export Authority
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Analysis is attached as page 2.

Prepared by: William R. Snell, Deputy Director - Development Phone: (907) 561-8050
Division: Alaska Industrial-Development and Export Authority Date: 4/2/90

Approved by Commissioner: Larry Mercuri Date: 4/2/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance) Changes in CSSB 543 (L&C)
- Legislative Sponsor) have no fiscal impact. This
- Requestor) fiscal note is appropriate.
- Office of Management and Budget) Projections of no fiscal impact
- Impacted Agency(ies)) would continue through 1996.

ANALYSIS

Section 1 of this bill would give AIDEA the authority to issue up to \$50 million in bonds for the acquisition, design and construction of a multi-bay aircraft maintenance facility located at Anchorage International Airport to be owned by the authority.

Preliminary cost estimates range from \$25 million to \$50 million, with the final cost depending on the number of users and their requirements.

o Development Schedule

The project development sequence is as follows:

- Phase I - obtain airline consensus and commitments
- Phase II - design development and permitting
- Phase III - construction

It is expected that Phases I and II would be completed in 1990 and Phase III in 1991.

Section 2 of this bill would exempt AIDEA from the competitive bidding requirements of the state procurement code (AS 36.30) for contracts related to airport construction. The exemption would give the project the same status under the procurement code as other airport projects undertaken by the Department of Transportation and Public Facilities (see AS 36.30.850(b)(8)).

This would allow the delegation to users the responsibility for the design and construction facilities that are intended for a special airport use. This approach recognizes that the state and primary users are partners in the project and that the facility should be designed with the special needs of the user in mind. The state also benefits by extracting indemnification from the user for any liability related to the performance under the delegation.

No separate legislative appropriation is required for AIDEA to issue the revenue bonds; therefore, the fiscal note is zero.

Original sponsor(s): Rules/Governor

1 IN THE SENATE BY THE LABOR & COMMERCE COMMITTEE
2 CS FOR SENATE BILL NO. 543 (L&C)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Industrial Development
7 and Export Authority to issue bonds for an aircraft
8 maintenance facility located at the Anchorage Inter-
9 national Airport; relating to the accounts of the
10 authority and the financing of development projects
11 by the authority; granting the authority an exemption
12 from the State Procurement Code for contracts relat-
13 ing to airports; and providing for an effective
14 date."

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

16 * Section 1. The Alaska Industrial Development and Export Authority may
17 issue bonds to finance the acquisition, design, and construction of a
18 multi-bay aircraft maintenance facility located at Anchorage International
19 Airport, to be owned by the authority. The principal amount of the bonds
20 may not exceed \$50,000,000. This section grants the legislative approval
21 required by AS 44.88.090 and 44.88.172(c).

22 * Sec. 2. AS 36.30.850(b)(8) is amended to read:

23 (8) acquisitions or disposals of property or other con-
24 tracts relating to airports under AS 02.15.070, 02.15.090, [AND]
25 02.15.091, and AS 44.88;

26 * Sec. 3. AS 44.88.060 is amended to read:

27 Sec. 44.88.060. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AU-
28 THORITY REVOLVING FUND. The Alaska Industrial Development and Export
29 Authority revolving fund is established in the authority. The

1 revolving fund consists of appropriations made to the revolving fund
2 by the legislature, money or other assets transferred to the revolving
3 fund by the authority, and unrestricted payments on loans made or
4 purchased by the authority. Unless otherwise expressly stated, the
5 accounts created in this chapter are accounts in the revolving fund.
6 The authority may create additional accounts either in the revolving
7 fund or outside the revolving fund. Subject to agreements made with
8 the holders of the authority's bonds or with other persons, the
9 authority may transfer amounts in an account in the revolving fund to
10 another account in the revolving fund. Amounts deposited in the
11 revolving fund may be pledged to the payment of bonds of the authority
12 or expended for the purposes of the authority under this chapter. The
13 authority has the powers and responsibilities established in AS 37.-
14 10.071 with respect to the investment of amounts held in the revolving
15 fund.

16 * Sec. 4. AS 44.88.155(c) is amended to read:

17 (c) Money and other assets of the enterprise development account
18 may be used to secure bonds of the authority issued to finance the
19 purchase of loans for projects [AND SHALL BE HELD AND INVESTED BY THE
20 AUTHORITY IN ACCORDANCE WITH AS 37.10.071] or shall be used to pur-
21 chase loans for projects.

22 * Sec. 5. AS 44.88.172(b) is repealed.

23 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

STEVE COWPER
GOVERNOR



543

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 4, 1990

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the development of an aircraft maintenance facility at the Anchorage International Airport. This bill provides the authorization necessary for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the acquisition, design, and construction of a multi-bay aircraft maintenance facility. The facility will be owned by AIDEA.

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. An aircraft maintenance facility in Alaska would create jobs and income for state residents. The facility could strengthen the state's role as an international air crossroads at a time when overflights are reducing some of the state's international passenger flights. The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need. The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the same airport through which many of the aircraft are routed.

While no major airlines have committed to lease the facility, both Alaska Airlines and Federal Express have officially notified AIDEA of their interest. This bill will give AIDEA the ability to move quickly to finance the facility once negotiations for leases with potential users are successfully concluded. Out of respect for a coordinate branch of state government, I am seeking the authorization required by AS 44.88.172(c) to issue bonds to finance the maintenance facility; I have been advised by the attorney general that I am not required to obtain this

approval because sec. 172(c) is of doubtful constitutional validity.

The bill also contains an exemption from the state procurement code (AS 36.30). This exemption would give airport projects owned by AIDEA the same treatment under the state procurement code afforded to the Department of Transportation and Public Facilities (DOT/PF). Under AS 36.30.850(b)(8), contracts relating to airports are exempt from the code. Airport projects are specialized facilities that must be tailored to industry standards. DOT/PF has learned that the primary users of airport facilities are eager to take responsibility for facilities that they will ultimately be required to use under the terms of a long-term financing lease. Such a transfer of responsibility not only assures a satisfied customer, it also shifts the responsibility from the state to the user for liability stemming from the implementation of the project.

The Alaska International Airport System will be submitting a separate budget amendment that will authorize the expenditure of up to \$8,000,000 in airport revenue for site development for the maintenance facility.

I urge you to pass this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper
Governor