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FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/29/95

FURTHER:

DATE TURNED INTO OFFICE: 5-6-95

Finance Committee considered CS FOR HOUSE BILL NO. 315(FIN)

Alaska Science and Technology Foundation and to the financing of technological developments by public corporations of the state; and the Challenger Learning Center.

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical change
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
Co-Chair: <i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>		<i>[Signature]</i>	✓		

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

DC YED	4/19/95		

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

**STATE OF ALASKA
1995 LEGISLATIVE SESSION**

Revision Date: April 19, 1995
 Title: ...financing of technological developments by public corporations of the state; and relating to the financing of the Kodlak...
 Sponsor: House Rules
 Requestor: Governor

Department: Commerce and Economic Development
 BRU: AK Industrial Development & Export Auth
 Component: AK Industrial Development & Export Auth
 COMPONENT SERIAL NO. 1234

Expenditures/Revenues		(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	
PERSONAL SERVICES							
TRAVEL							
CONTRACTUAL							
SUPPLIES							
EQUIPMENT							
LAND & STRUCTURES							
GRANTS, CLAIMS							
MISCELLANEOUS							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	

CAPITAL EXPENDITURES	
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CHANGE IN REVENUES	
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FUND SOURCE		(Thousands of Dollars)					
1002 Federal Receipts							
1003 GF Match							
1004 General Fund							
1005 GF/Program Receipts							
1006 GF/MHTIA							
Other							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	

Estimate of any current year (FY 95) cost: \$ _____

POSITIONS	
FULL-TIME	
PART-TIME	
TEMPORARY	

ANALYSIS: (Attach a separate page if necessary)

Prepared by: William R. Snell, Executive Director Phone: 561-8050
 Division: AK Industrial Development & Export Authority Date: April 19, 1995
 Approved by Commissioner: William L. Hensley *[Signature]* Date: April 19, 1995
 Agency: Commerce and Economic Development

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COMMITTEE COPY

JB 161
HB 315

LOCKHEED MARTIN 

April 25, 1995

Pat Landner
Executive Director
Alaska Aerospace Development Corporation
3601 C Street Suite 1400
Anchorage, AK 99503

RECEIVED

APR 25 1995

Ans'd.....

Dear Pat, 

It is time I let you know what progress we have made in developing a business strategy for the Lockheed Martin corporation relative to the launch complex at Kodiak Island.

As you know, after my visit to Juneau in March, I have had several discussions with the business development community in the Information and Technologies Sector. My trip report was briefed to Mr. Teets on April 5th by Gary Mann Vice President Business Development.

On April 12th we had a meeting to discuss the information you provided during your visit here on April 6th. At that meeting we decided that there was more information needed relative to the facilities at Wallops Island and an understanding of what NASA may want to do with their operations. The attendees were Bill Dordock, Gerry Stanley, Jerry Fallin, Mike Johnson, Mike Zerofsky, Ken Branch, and me.

We went to a meeting with the Technical Director and the staff at Wallops Island on April 18th and the results of that meeting are generally that there is a business opportunity at that facility if we take the same approach we are contemplating with Alaska. In our estimation, when we couple the two sites together they make a very attractive opportunity for the corporation. That meeting was attended by Jerry Fallin, Mike Johnson, John Bornholdt and me.

The plans we are developing internally are being discussed at the highest levels of the Lockheed Martin corporation. We have had several meetings with key business development people from three of the major sectors and hope to include the fourth soon. In general terms we are evaluating the business potential of the sites and will make a recommendation to the corporation on how to best develop a partnership with the states of Alaska and Virginia that is mutually beneficial for all concerned. One of our goals is to have control of our own destiny when it comes to launch site availability and cost. We currently do not

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have that control using a government range and we look upon the launch facilities at Kodiak and Wallops as a vehicle for achieving that goal.

We met again on the April 24th in Titusville to report on the trip to Wallops and to assign action items for the next phase of our evaluation. Our schedule of events will take us to a presentation to Mr. Tellep and Mr. Augustine by the first of June. At that time we hope to have direction to complete a more detailed study and to open negotiations with Alaska and Virginia/NASA at Wallops Island. The attendees were: Bill Mellana (S&SMS), Mary Smith (S&SMS), Jeff Snyder (S&SMS), Bill Derdock(S&SMS), Axel Hohl (S&SMS), Ron Sebastino (S&SMS), Gerry Stanley (Special advisor to Gary Mann -I&TSS), David-Ells Brown (I&TSS), Jerry Fallin (I&TSS), Dinty Moore(LSSI-I&TSS), Bob Atkins,(Manned Space-I&TSS) Mike Johnson(S&SMS), Mike Zerofsky(I&TSS), Ken Branch(S&SMS), and me.

Our focus today is somewhat limited and will expand as we gain knowledge and understanding. We are looking at becoming an advisor to Alaska and Virginia during Activation of the launch complexes and Ground station and then take over as the operating contractor for the state. We are considering a State Owned Contractor Operated Facility(SOCO).

I'm sure you can appreciate that we are doing is very sensitive from a business standpoint so I would ask you to be discreet in your discussion with others.

We will keep you informed and if you have any questions please feel free to call me any time.

Sincerely



Charles M. Rash
Manager, Advanced Programs
Canaveral Launch Operations
LOCKHEED MARTIN
(407)853-6968

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 315
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April 20, 1995

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would improve the ability of public corporations of the state to finance technological developments.

This bill amends AS 37.17 to facilitate the Alaska Science and Technology Foundation's (ASTF) development of commercial uses for technological developments, among its other purposes. These amendments will assist state agencies and public corporations such as the Alaska Aerospace Development Corporation (AADC) and the Alaska Industrial Development and Export Authority (AIDEA) in technology-related development projects. ASTF would be able to provide guidance through its established peer review system and grant review process, as well as financial assistance to projects meeting its technological and business criteria.

Existing AS 37.17.090(d) requires that at least 50 percent of the ASTF endowment income that is distributed by ASTF in a fiscal year must be for grants of \$100,000 or less. Section 3 of the bill would exempt two grants to AIDEA or AADC from that requirement. Absent this exemption, ASTF would be limited to providing only minor financial assistance to projects of potentially great benefit to the state. One of the two grants is for development of the Kodiak launch complex and Fairbanks satellite ground station space park. The second grant is for development of low-rank coal water fuel technology. It is anticipated that the grants from ASTF for these projects may be phased in.

Section 5 of the bill also provides ASTF with more flexibility to ensure a fair financial return to the state based upon the value derived by the grantee from the ASTF grant. The bill replaces the current narrow language of AS 37.17.090(g), restricting ASTF to a return from "royalties, licenses, and patents", with broader language acknowledging that grantees can gain significant economic benefit from an ASTF grant without ever earning

The Honorable Gail Phillips

Page 2

income from royalties, licenses, and patents. For example, ASTF could receive a return from AADC for the operation of the Kodiak launch facility. Section 5 provides ASTF with additional protection for its investments by the addition of language allowing ASTF to take a security interest in, and own, patents, copyrights, and other intellectual property to secure payment of sums owed to ASTF under a grant agreement.

The bill continues to require that the revenue received by ASTF be paid into the principal of the endowment, subject to AS 37.07. The bill allows ASTF to tailor each "return" provision to the specific circumstances of the grantee. Under this provision, ASTF is able to receive a fair return where the grantee is going to manufacture and sell its own products based upon ASTF technology. ASTF is also able to receive a fair return based upon the growth in the grantee's business based upon the ASTF grant.

The bill improves ASTF's ability to protect sensitive commercial information it receives through the grant process. Section 4 of the bill amends AS 37.17.090(f) to allow the board of ASTF to adopt administrative regulations necessary to protect trade secrets and other proprietary information submitted to ASTF from disclosure under AS 09.25.110 - 09.25.120. These regulations would be adopted by the board under standards developed to protect the interests of the state and the prospective grantees.

The bill also contains a section authorizing AIDEA to issue up to \$20,000,000 in bonds to finance the development of the Kodiak rocket launch complex and the Fairbanks satellite ground stations, or to finance these projects by other means available to AIDEA. This section also includes a limitation that the board of directors of AIDEA and AADC must each determine that there is sufficient commercial interest and financial viability to support the debt service and costs of the facility before money may be expended for any phase of construction.

I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles
Governor