

SB

249

FISCAL NOTE

**STATE OF ALASKA
2008 LEGISLATIVE SESSION**

Fiscal Note Number 1
 Bill Version SB 249
 (S) Publish Date 1/25/08

Identifier (file name) 0049-CED-INV-01-24-08 Dept. Affected DCCED
 Title Alaska Capstone Avionics Revolving Loan Fund RDU Investments (122)
 Component New
 Sponsor Rules
 Requester By Request of Governor Component Number New

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	116.0		116.0	116.0	116.0	116.0	116.0	116.0
Travel	2.3		1.2	1.2	1.2	1.2	1.2	1.2
Contractual								
Supplies	0.5		0.5	0.5	0.5	0.5	0.5	0.5
Equipment	1.0							
Land & Structures								
Grants & Claims								
Misc: Capitalize Capstone Fund	4,800.0							
TOTAL OPERATING	4,919.8	0.0	117.7	117.7	117.7	117.7	117.7	117.7

CAPITAL EXPENDITURES								
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts							
1003 GF Match							
1004 GF	4,800.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other: Capstone Fund (New)	119.8		117.7	117.7	117.7	117.7	117.7
TOTAL	4,919.8	0.0	117.7	117.7	117.7	117.7	117.7

Estimate of any current year (FY2008) cost: 00

POSITIONS

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time	2	0	2	2	2	2	2
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation establishes a new loan fund called the Alaska Capstone Avionics Revolving Loan Fund (Capstone Fund). The fund would be capitalized by a general fund appropriation of \$4.8 million.

The purpose of the Capstone Fund is to increase the safety of intra-state air transportation in Alaska by providing low interest loans to aircraft owners so that they can purchase capstone avionics equipment. The department estimates that approximately 400 loans would be made in the first year for a total of \$4.8 million. Repayments to the fund and earnings retained by the fund would provide cash flow to make approximately 60 additional loans each year thereafter.

The department anticipates needing one new loan officer and one new loan closer for program outreach and to process new loan requests. Funds are also requested to cover travel, supplies and equipment expenses associated with the new positions.

Prepared by Greg Winegar, Director
 Division Investments
 Approved by Emil R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone 907.465.2625
 Date/Time 1/24/08 8:48 AM
 Date 1/24/2008

**Sectional Analysis of
HB 340/SB 249 /25-GH2049A**

Prepared by Mary Ellen Beardsley
Alaska Department of Law
(907) 269-5200

Alaska Capstone Avionics Revolving Loan Fund

Summary: This bill creates the Alaska capstone avionics revolving loan fund (fund) within the Department of Commerce, Community, and Economic Development (department). The purpose of the fund is to increase safety of general aviation intrastate air transportation by providing low interest loans for the purchase and installation of capstone avionics equipment.

Section 1 creates a new article in AS 44.33. This new article establishes the fund and the Alaska capstone avionics revolving loan program.

AS 44.33.650 sets out the policy and purpose for the fund.

AS 44.33.655 creates the fund within the department. It further describes what the fund consists of: money appropriated, transferred, devised, donated, etc., to the fund; principal and interest payments or other income earned on the loans or investments in the fund; and money derived from the foreclosure of collateral securing the loans. This section further allows the money in the fund to be appropriated for costs of administering the fund.

AS 44.33.660 sets out the powers and duties of the department as they relate to the program. It allows the department to make loans for the purchase and installation of the equipment. The department may establish the terms of the loan, including extensions and assumptions; charge and collect fees for services provided under the program; and adopt regulations to carry out the purposes of the program.

AS 44.33.665 establishes the eligibility requirements for applicants. The applicant may be an individual, corporation, partnership, limited liability corporation, limited liability partnership, limited liability company, joint venture, or non-federal governmental entity. The applicant must own the aircraft and the aircraft must log a substantial percentage of its flight hours in Alaska.

AS 44.33.670 sets out limitations on the loans. The loan is not to exceed a term of 10 years (not including any extensions), interest must be at least 4% per year; the loan must be secured with acceptable collateral; and it may not exceed 80% of the cost of the equipment.

AS 44.33.675 establishes the foreclosure expense account within the fund. The money in this fund is to be used to offset expenses associated with the collection of defaulted loans or to protect the State's security interest in the collateral.

AS 44.33.680 allows the department to dispose of repossessed collateral in a manner which serves the best interest of the State.

AS 44.33.690 provides for definitions for "capstone avionic equipment," "capstone program," and "department."

Section 2 repeals AS 44.33.650 – 44.33.690 when the program sunsets in 2020.

Section 3 provides authority to the department to proceed with adopting regulations needed to implement the new program. These regulations will not become effective until the effective date of the Act.

The remaining sections establish when each section of the act is to take effect.

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 1/25/08

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2/12/08

Transportation Committee considered SENATE BILL NO. 249

SB 249 CAPSTONE AVIONICS FUND/LOANS

"An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

and recommends:

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

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCCED	1/24/08	✓			

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Wielechowski			✓	
	Wilford	X			
	Olsen	X			
CHAIR:	Kookesh	✓			

SENATE BILL NO. 249

IN THE LEGISLATURE OF THE STATE OF ALASKA
 TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/25/08

Referred: Transportation, Finance

A BILL**FOR AN ACT ENTITLED**

1 "An Act establishing the Alaska capstone avionics revolving loan fund and relating to
 2 the fund; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * Section 1. AS 44.33 is amended by adding new sections to read:

5 **Article 6A. Alaska Capstone Avionics Revolving Loan Fund.**

6 **Sec. 44.33.650. Declaration of policy.** It is the policy of the state, under
 7 AS 44.33.650 - 44.33.690, to increase the safety of air carrier, air taxi, and general
 8 aviation intrastate air transportation in the state by providing low interest loans to
 9 qualified applicants for the purpose of purchasing and installing capstone avionics
 10 equipment.

11 **Sec. 44.33.655. Alaska capstone avionics revolving loan fund.** (a) There is
 12 created within the Department of Commerce, Community, and Economic
 13 Development a revolving loan fund to be known as the Alaska capstone avionics
 14 revolving loan fund to carry out the purposes of AS 44.33.650 - 44.33.690.

1 (b) The Alaska capstone avionics revolving loan fund consists of the
2 following:

3 (1) money appropriated to, transferred to, or received by gift, devise,
4 bequest, or donation to the fund;

5 (2) principal and interest payments or other income earned on loans
6 or investments of the fund;

7 (3) money chargeable to principal or interest that is collected through
8 liquidation by foreclosure or other process on loans made under AS 44.33.650 -
9 44.33.690.

10 (c) Money in the fund may be used by the legislature to make appropriations
11 for costs of administering AS 44.33.650 - 44.33.690.

12 **Sec. 44.33.660. Powers and duties of the department.** The department may

13 (1) make loans to eligible applicants under AS 44.33.665 for the
14 purchase and installation of capstone avionic equipment;

15 (2) receive, take, hold, and administer any appropriation, gift, grant,
16 bequest, devise, or donation of money for the fund;

17 (3) establish amortization plans for repayment of loans, including
18 extensions of the terms of loans;

19 (4) allow an assumption of a loan if the applicant meets the
20 requirements established under this section;

21 (5) establish the rate of interest for loans consistent with law;

22 (6) charge and collect fees for services provided under
23 AS 44.33.650 - 44.33.690;

24 (7) adopt regulations, under AS 44.62, necessary to carry out the
25 provisions of AS 44.33.650 - 44.33.690, including regulations to establish reasonable
26 fees for services provided; and

27 (8) designate agents and delegate powers as necessary to the agents.

28 **Sec. 44.33.665. Eligibility.** (a) For an applicant to be eligible for a loan under
29 AS 44.33.650 - 44.33.690, the applicant must be the owner of an aircraft that logs a
30 substantial percentage of flight hours in the state as determined by the department.
31 For purposes of this subsection, an applicant may be an individual, corporation,

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1 partnership, limited liability corporation, limited liability partnership, limited liability
2 company, joint venture, or non-federal governmental entity.

3 (b) After consultation with the Department of Transportation and Public
4 Facilities, the Department of Commerce, Community, and Economic Development
5 shall establish by regulation the standards for capstone avionics equipment eligible
6 for loans.

7 **Sec. 44.33.670. Limitations on loans.** A loan established under
8 AS 44.33.650 - 44.33.690

9 (1) may not exceed a term of 10 years, except for extensions under
10 AS 44.33.660;

11 (2) may not bear interest less than four percent per year;

12 (3) must be secured by collateral acceptable to the department; and

13 (4) may not exceed 80 percent of the cost of the eligible capstone
14 avionics equipment purchased with proceeds of the loan.

15 **Sec. 44.33.675. Special account established.** (a) There is established as a
16 special account within the Alaska capstone avionics revolving loan fund the
17 foreclosure expense account.

18 (b) The department may expend money credited to the foreclosure expense
19 account when necessary to protect the state's security interest in collateral on loans
20 granted under AS 44.33.665 or to defray expenses incurred during foreclosure
21 proceedings after a default by an obligor.

22 **Sec. 44.33.680. Disposal of property acquired by default or foreclosure.**
23 The department shall dispose of property acquired through default or foreclosure of a
24 loan made under AS 44.33.650 - 44.33.690. Disposal must be made in a manner that
25 serves the best interest of the state, and may include the amortization of payments
26 over a term of years.

27 **Sec. 44.33.690. Definitions.** In AS 44.33.650 - 44.33.690

28 (1) "capstone avionics equipment"

29 (A) means aviation navigation performance and safety
30 technological equipment eligible for financing through the capstone program;

31 (B) includes global positioning system-based avionics

1 equipment and data link communications suites;

2 (2) "capstone program" means a technology-focused aviation
3 program administered by the Federal Aviation Administration in this state;

4 (3) "department" means the Department of Commerce, Community,
5 and Economic Development.

6 * **Sec. 2.** AS 44.33.650, 44.33.655, 44.33.660, 44.33.665, 44.33.670, 44.33.675,
7 44.33.680, and 44.33.690 are repealed.

8 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
9 read:

10 **TRANSITION: REGULATIONS.** The Department of Commerce, Community, and
11 Economic Development may immediately proceed to adopt regulations necessary to
12 implement the changes made in sec. 1 of this Act. The regulations take effect under
13 AS 44.62 (Administrative Procedure Act) but not before the effective date of the statutory
14 change.

15 * **Sec. 4.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

16 * **Sec. 5.** Section 2 of this Act takes effect July 1, 2020.

17 * **Sec. 6.** Except as provided in secs. 4 and 5 of this Act, this Act takes effect July 1, 2008.

Capstone Aviation Loan Fund

What is Capstone?

- Capstone is aviation positioning technology that allows equipped aircraft to interact with ground and satellite stations to provide pilots their exact location, airspeed and rate of ascent or descent in relation to the terrain and other aircraft, as well as providing real-time weather conditions.
- Aviation safety will be improved with an estimated 47% reduction in aircraft accidents and a 33% reduction in aircraft fatalities.
- Flights, once prohibited due to inclement weather conditions, (including medical evacuations) are possible with aircraft equipped with Capstone technology.
- The FAA selected Alaska as the site for its successful pilot project, installing stations in Southeast and the Bethel region.
- The FAA is now looking to expand the program to other regions of the state but have indicated that a certain number of additional aircraft must be equipped to justify the agency's increased investment of approximately \$500 million in ground infrastructure.
- It is looking to the State of Alaska to assist in this effort by helping aircraft owners to afford the cost of the equipment.

How will the loan program work?

- An owner of an aircraft operating primarily in Alaska can qualify for a loan of up to 80% of the cost to purchase and install Capstone equipment.
- Capstone equipment costs are expected to range between \$10,000 and \$20,000 depending on the type of aircraft.
- Loans are available for up to 10 years and would have a 4% interest rate.
- An average loan of \$12,000 would result in a monthly payment of \$122.
- The Department of Commerce, Community and Economic Development will administer the program.

Where does the money for the loan program come from?

- General Fund
- As a revolving loan fund, additional loans can be made from the repayments over the life of the program

FAA Capstone Program

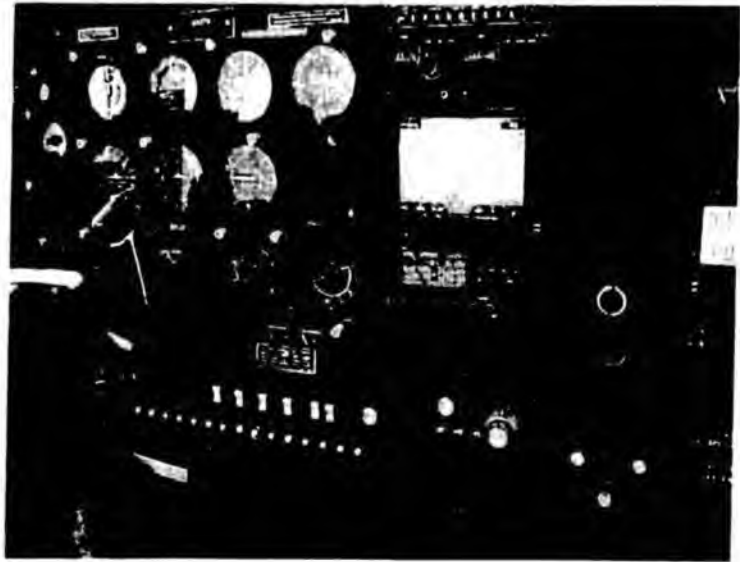
Why is the FAA Capstone program important?

Alaska experiences the highest aviation accident rate in the nation. The hazards of bad weather, rough terrain, and absence of radar coverage all contribute to the high Alaska accident rate. Congress funded a research and development program called Capstone in southwest and southeast Alaska that created a technology system to improve flight safety and community access in rural Alaska. Capstone demonstrated a 47% reduction in the aviation accident rate, and was so successful that FAA decided to implement the technology nationwide.

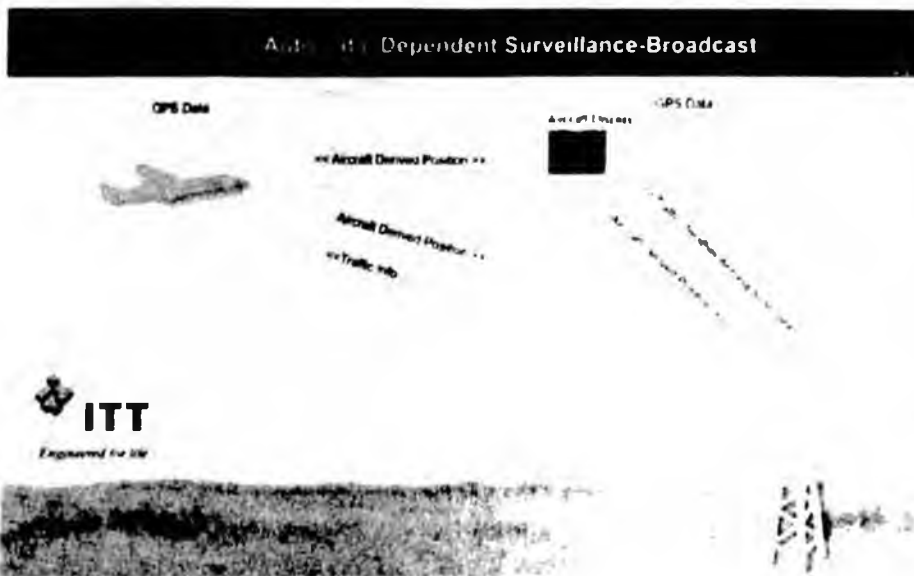
The Capstone system provides pilots better information and demonstrably improves aviation safety. In the event of an aircraft accident Capstone lets air traffic control know the precise aircraft location. This allows rescue workers to know exactly where they should go to locate the aircraft, greatly improves the chances of having a successful rescue effort, and substantially reduces search and rescue costs. Capstone provides all players in the aviation system with much more and better information to improve safety and rural community access for the flying public.

What is the FAA Capstone program?

Capstone is a cooperative effort by FAA and industry to improve aviation safety and community access by using a suite of new technologies that provides better flight information to pilots. Capstone equipped airplanes have a "moving map" video display screen, as can be seen in the picture to the right, which shows the pilot his own location relative to terrain, weather, orientation, and other aircraft in the vicinity. Furthermore FAA Air Traffic Control simultaneously receives aircraft position information that greatly enhances communication with and between pilots. Finally the Capstone system provides a Global Positioning System (GPS) instrument approach landing system, automated weather reporting, and communications.



The simple graphic below shows how the Capstone system works. The integrated Capstone system



technologies include ground based transmitters, communications equipment, transponders, Global Positioning System (GPS) navigation, surveillance, and weather reporting. FAA calls the system "Automatic Dependent Surveillance-Broadcast" (ADS-B).

**Sectional Analysis of
HB 340/SB 249 /25-GH2049\A**

Prepared by Mary Ellen Beardsley
Alaska Department of Law
(907) 269-5200

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SB249

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 24, 2008

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing the Alaska capstone avionics revolving loan fund and relating to the fund.

In Alaska, aviation is relied upon to move people, mail, and cargo throughout the state. Alaska has only 14,788 miles of public roads and many communities are not connected to the highway system. Ninety percent of Alaska is accessible only by air. Because of this situation, commuter and air taxi flights often serve in lieu of the traditional road system.

Alaska has seven times more licensed pilots than the national average, but it also has the highest aviation accident rate in the nation. One way to make Alaska's skies safer is with capstone avionic equipment. A study done in Alaska over a six year period determined that the accident rate of aircraft equipped with capstone avionic equipment decreased by 47 percent as compared to other aircraft operating without the equipment. The Federal Aviation Administration (FAA) estimates the adoption of this technology will result in a 33 percent reduction in fatal accidents statewide.

The FAA's Joint Resource Council estimates the benefits of the capstone project would be substantial. These benefits flow from a combination of fewer aviation accidents, improved search and rescue, greater precision in adverse weather and difficult terrain, and increased access to remote villages (including medical evacuations) when the system is fully deployed both on the ground and in the air. In addition, there will be socio-economic improvements for rural Alaska, due to a safer and more reliable transportation infrastructure.

This new technology requires both the installation of ground based infrastructure and capstone avionics in the cockpit to achieve these benefits. To be visible to the system, as well as to take advantage of all of capstones capabilities, an aircraft must be equipped with appropriate on-board avionics.

The Honorable Lyda Green
January 24, 2008
Page 2

The FAA has invested in Alaska by deploying, and continuing to deploy, new ground-based aviation safety and access infrastructure including communications, navigation, and weather reporting systems, and upgraded airport access in Alaska. Support for the acquisition of the onboard avionics necessary to utilize the FAA ground infrastructure will aid in securing the substantial benefits of this technology for Alaskans and enhance, encourage, and make the most of the FAA investment in Alaska.

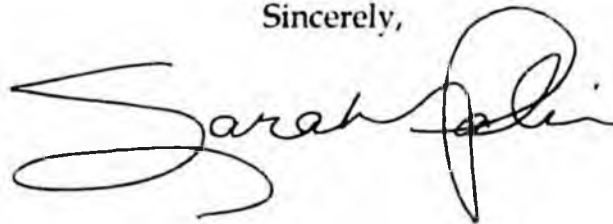
This bill would create the Alaska capstone avionics revolving loan fund within the Department of Commerce, Community, and Economic Development. The purpose of the fund would be to increase safety of air carrier, air taxi, and general aviation intrastate air transportation, by providing low-interest loans towards purchasing and installing capstone avionic equipment. An applicant for the low-interest loan must be an owner of an aircraft that is operated in the state. An applicant may be an individual, corporation, partnership, limited liability corporation, limited liability partnership, limited liability company, joint venture, or non-federal governmental entity.

The broad-based benefits of this legislation will help ensure that people can fly in a safer environment as they conduct their business and personal affairs

Under this new loan program, a loan for \$12,000 for avionics equipment at four percent over a ten-year term would result in a monthly payment of \$122 or an annual payment of \$1,480.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sarah Palin". The signature is written in black ink and is positioned below the word "Sincerely,".

Sarah Palin
Governor

Enclosure

STATE OF ALASKA

SARAH PALIN, GOVERNOR

**DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES**
OFFICE OF THE COMMISSIONER

3132 CHANNEL DRIVE
PO Box 112500
JUNEAU, ALASKA 99811-2500

FAX: (907) 586-8365
PHONE: (907) 465-3900

January 31, 2008

The Honorable Albert Kookesh
Alaska State Legislature
State Capitol, Room 11
Juneau, AK 99801-1182

Dear Senator Kookesh:

I respectfully request a hearing for SB 249 "An Act establishing the Alaska capstone avionics revolving loan fund". The loan provides funding for commercial operators and private aircraft owners to purchase "capstone" avionics. A capstone equipped plane has a video display showing the pilot his location relative to terrain, weather and similarly equipped aircraft in the vicinity.

This technology, which was cutting edge when it was tested as a pilot program in Bethel and Southeast Alaska, is being implemented nationally by the Federal Aviation Administration. The accident rate reduction in Alaska was 47% during the pilot program. Fatalities are estimated to be reduced by one third as a downed plane can be located quickly and precisely. Alaska's rural communities, who rely solely on air travel particularly in the winter, will have increased service, as capstone equipped planes will be able to land in inclement conditions.

The Department of Commerce, Community, and Economic Development will administer the loan program. The program is initially funded from the general fund; however, since it is a revolving loan fund, additional loans can be made from repayments over the life of the program. Loans will be available for up to 80% of the costs at an interest rate of 4% for 10 years.

January 31, 2008

Increasing so dramatically the safety of a mode of travel used by many Alaskans is one of the most important things we can do. I look forward to discussing this with you further.

Sincerely,



Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

Enclosures: SB 249
Bill Analysis
Talking Points
FAA Capstone Program
DVD

cc: Russ Kelly, Legislative Director, Office of the Governor
Mary Siroky, Legislative Liaison, Dept. of Transportation & Public Facilities

SARAH PALIN
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 24, 2008

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

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The FAA's Joint Resource Council estimates the benefits of the capstone project would be substantial. These benefits flow from a combination of fewer aviation accidents, improved search and rescue, greater precision in adverse weather and difficult terrain, and increased access to remote villages (including medical evacuations) when the system is fully deployed both on the ground and in the air. In addition, there will be socio-economic improvements for rural Alaska, due to a safer and more reliable transportation infrastructure.

This new technology requires both the installation of ground based infrastructure and capstone avionics in the cockpit to achieve these benefits. To be visible to the system, as well as to take advantage of all of capstones capabilities, an aircraft must be equipped with appropriate on-board avionics.