

**ALASKA LEGISLATURE**

**2700**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

205



# AIAS Risk Assessment

## ➤ **Operational Risk**

- Lower enplanement and air cargo tonnage activity
- Lower Non-Airline Revenues
- Additional TSA security processing requirements

## ➤ **Project Risk**

- Schedule delay
- Lower amount of Airline Leased Premises
- Project cost increases

## ➤ **Financial Risk**

- Lower AIP discretionary funding
- Higher interest rates
- “Event Threat” on industry



## Findings and Recommendations

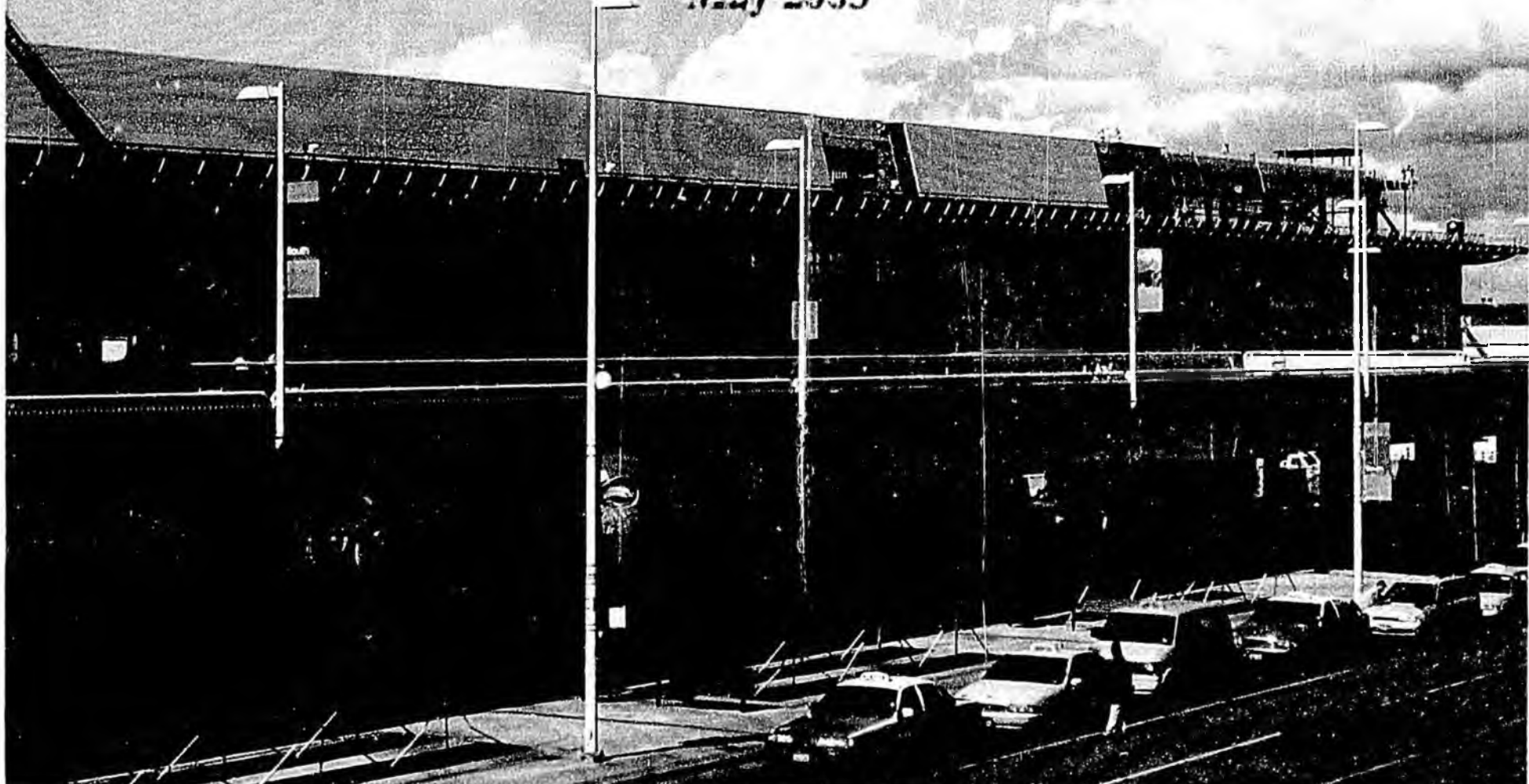
- Airport Revenue Bonds provide consistent, predictable airline rate impacts
- Based on the AOA, airlines pay for all operating and capital costs of the AIAS after deducting Non-Airline Revenues
- Anchorage passenger market has recovered and will continue to grow by 2% to 3% annually
- Anchorage cargo market has exceeded forecasts and is a key point of departure for trans-pacific market
- Full faith and credit is not at risk with issuance of Airport Revenue Bonds
- In order to be ready to meet the forecast recovery, other airports are moving ahead with large-scale development programs.
- TRP completion needed to meet future passenger demand

**Ted Stevens Anchorage International Airport  
Terminal Redevelopment Project**

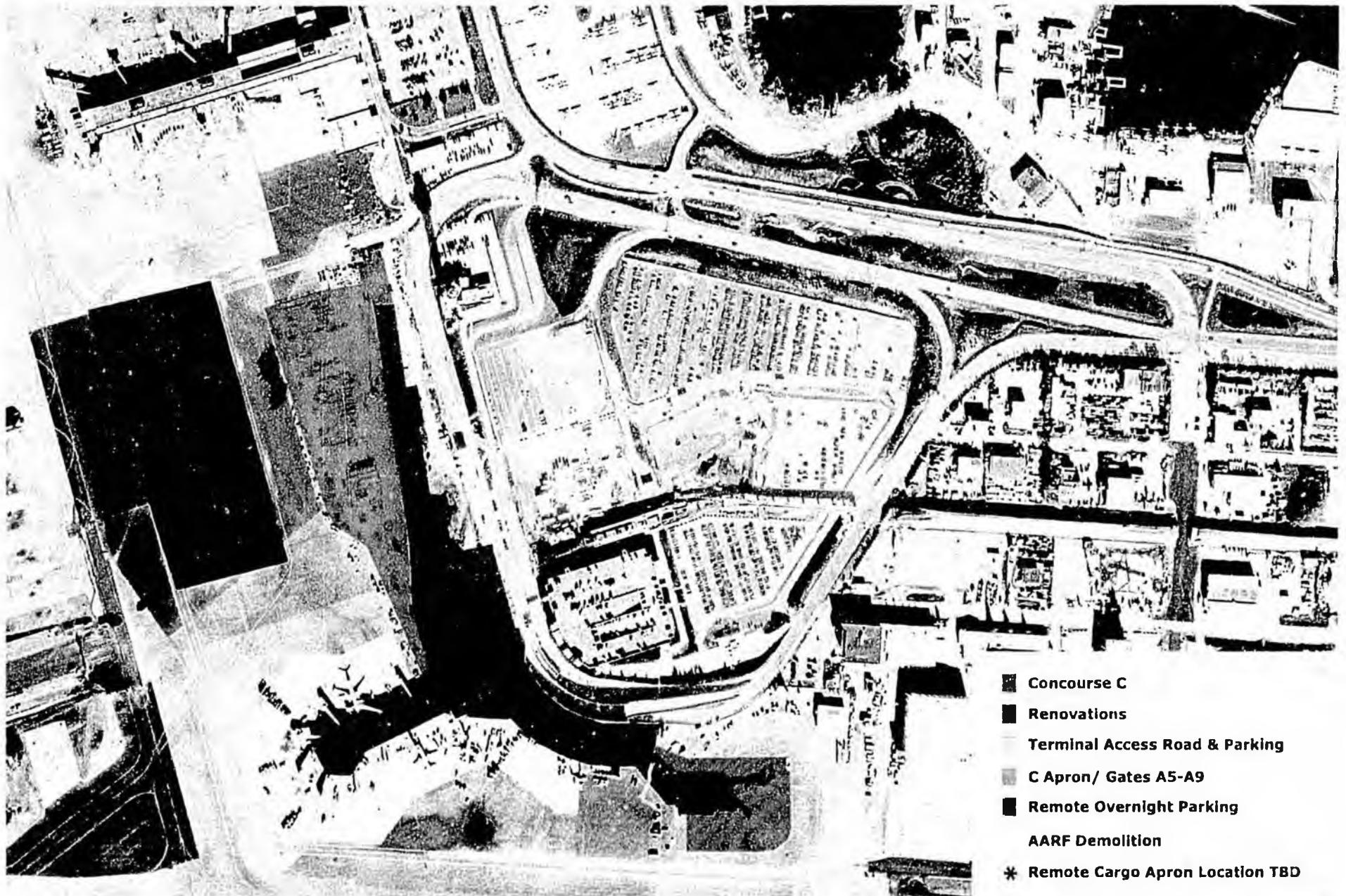


**Legislative Briefing**

**May 2003**



# Terminal Redevelopment Project



- Concourse C
- Renovations
- Terminal Access Road & Parking
- C Apron/ Gates A5-A9
- Remote Overnight Parking
- AARF Demolition
- \* Remote Cargo Apron Location TBD

## *TRP Status*

- **Overall Project 59% Complete.**
- **Program Elements Complete:**
  - **Utility Relocations**
  - **Demolition Old Concourse C**
  - **Regional Airline Relocations**
  - **Landside Roads**
  - **RON Apron**
  - **Concourse C - Phase I - Structural**
- **Concourse C - Phase II - Building Completion - 47%**
- **Total Funding Authorized - \$254m**
- **Total Expenditures To Date - \$182m**

## Concourse 'C' Space Increases

**Original Concept Plan (November 1997)** **360,542 sf**

---

### Areas of Increase

**Airline Leasable Space** **38,625 sf**

**Concession / Retail Leasable Space** **7,944 sf**

**Basement Service Access & Bag Belt Systems** **23,319 sf**

**Concourse 'C' Circulation** **5,310 sf**

**Mechanical / Operations** **11,460 sf**

---

**Total Space Increases** **86,658 sf**

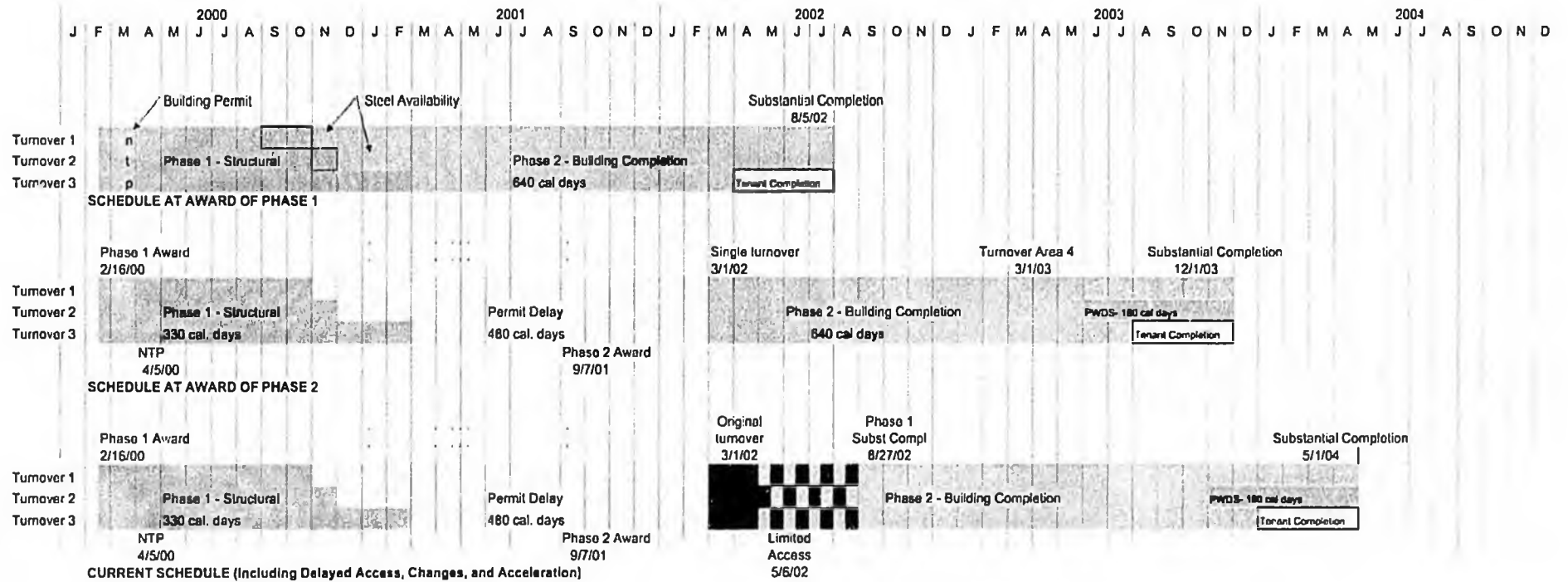
---

**Current Scope** **447,200 sf**

## *Concourse C – Permit Delays*

- **Building Permit application – 12/3/99.**
- **Anticipated Building Permit approval – 4/5/00.**
- **Actual Building Permit approval – 4/5/02.**

# Concourse C Permit Schedule Delay



**Permit Related Costs**  
*(in millions)*

	<b><u>Estimated</u></b>
<b>Construction</b>	<b>\$ 22.1m</b>
<b>Permit Review / Design</b>	<b>\$ 3.8m</b>
<b>Construction Management</b>	<b>\$ 3.6m</b>
<b>Project Administration / Legal</b>	<b><u>\$ 3.7m</u></b>
<b>Total</b>	<b>\$ 33.2m</b>

**Concourse C – TSA Security Impacts**  
*(in millions)*

	<b>Estimate</b>
<b>EDS Baggage Screening</b>	<b>\$ 14.0 m</b>
Baggage Belt Equipment	
Changes to Building Systems	
<b>Passenger Screening</b>	<b>\$ 1.5 m</b>
<b>TSA Support Space</b>	<b>\$ 1.0 m</b>
<b>Miscellaneous Security Costs</b>	<b>\$ 1.5 m</b>
CCTV Increase	
Parking	
Service Access	
<b>Design / Admin / CM</b>	<b>\$ 5.0 m</b>
<hr/>	
<b>Total:</b>	<b>\$ 23.0 m</b>

**Estimate at Completion**  
*(in millions)*

<b>Budget Item</b>	<b>Estimate</b>
<b>Original Terminal Redevelopment Scope</b>	<b>\$230m</b>
<b>Concourse C Additional SF Cost</b>	<b>\$ 22m</b>
<b>Permit Delay Costs</b>	<b>\$ 33m</b>
<b>TSA Security Impacts</b>	<b>\$ 23m</b>
<b>Estimate at Completion</b>	<b>\$308m*</b>

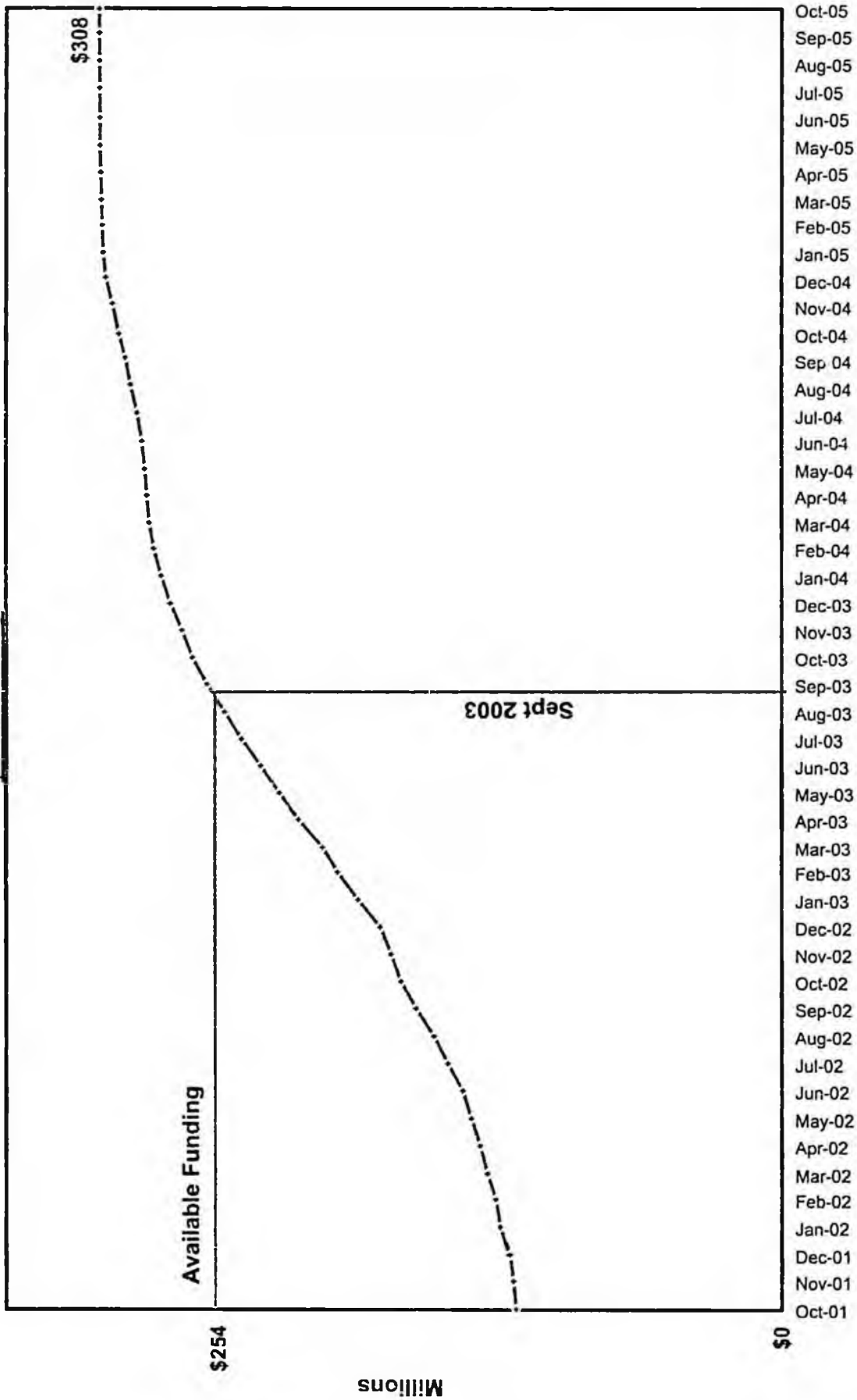
\* Does not include Concourses 'A' and 'B' renovations

**Funding Available**  
*(in millions)*

<b>Current Authorized Project Funding</b>	<b>Amounts</b>
TRP Series A, B & C Revenue Bonds	\$204m
FHWA Landside Funding	\$ 26m
<b>Subtotal:</b>	<b>\$230m</b>
Interest Earnings	\$ 24m
<b>Total:</b>	<b>\$254m</b>
Additional Interest Earnings	\$ 5m
<b>Total Funding Available</b>	<b>\$259m</b>
<b>Estimate at Completion</b>	<b>\$308m</b>
<b>Net Funding Required <i>(Does not include Concourses A &amp; B)</i></b>	<b>\$ 49m</b>

# TRP Projected Cash Flow

(in millions)



Months

--- Forecast

**TRP Funding Request**  
*(in millions)*

**FY 04**

➤ **Concourse C/TRP Completion**

**\$50m**

**SB**

**216**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
MAY 22 2003  
SENATE FINANCE  
COMMITTEE

DATE: 5/10/03

FURTHER:

DATE TURNED  
IN TO OFFICE: 12 May 2003

Finance Committee considered

SENATE BILL NO. 216

## SB 216 INTERNATIONAL AIRPORTS REVENUE BONDS

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

and recommends:

**Senate Bill:**

be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

same title

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

new title

**House Bill:**

attached amendment(s)

same title

technical title

new: SCR # \_\_\_\_\_

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to \_\_\_\_\_ Committee

**NEW FISCAL NOTE(S):**

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

Department	Date	Fiscal	Zero	FN#
Revenue	5/10/03	7,813.		#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Adrian Taylor</i>			✓	
<i>[Signature]</i>		✓		
<i>[Signature]</i>				✓
<i>[Signature]</i>			✓	
<i>Ben Stevens</i>	✓			
COCHAIR: <i>Lynne Green</i>			✓	
COCHAIR: <i>Gary Hill</i>	✓			

SENATE BILL NO. 216

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 5/9/03

Referred: Transportation, Finance

A BILL

FOR AN ACT ENTITLED

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

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

4 \* Section 1. AS 37.15.410 is amended to read:

5           Sec. 37.15.410. **Bond authorization.** For the purpose of providing part or all  
6 of the money to be used, with or without any grants or other money that may become  
7 available, the issuance and sale of revenue bonds of the state in a total principal sum  
8 not to exceed \$524,500,000 [\$447,900,000] is authorized to acquire, equip, construct,  
9 and install the additions, improvements, extensions, and facilities authorized in  
10 AS 37.15.510. The principal of and interest on these bonds shall be paid out of and  
11 secured by the gross revenue derived by the state from the ownership, lease, use, and  
12 operation of the airports, and of all the facilities of them, and out of any other money  
13 that may be appropriated for the purpose, excepting only proceeds of any customer  
14 facility charge set by the commissioner of transportation and public facilities under

1 AS 02.15.090.

2 \* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

MAY 12 2003

SENATE FINANCE COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 216  
(S) Publish Date: 5/9/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title International Airport Revenue Bonds BRU Revenue Operations  
Component Treasury Division  
Sponsor House Rules  
Requester Governor Component No. 121

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual	1,532.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0
<b>TOTAL OPERATING</b>	<b>7,813.0</b>	<b>6,281.0</b>	<b>6,281.0</b>	<b>6,281.0</b>	<b>6,281.0</b>	<b>6,281.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Int Airport Construction Fund	7,813.0	6,281.0	6,281.0	6,281.0	6,281.0	6,281.0
<b>TOTAL</b>	<b>7,813.0</b>	<b>6,281.0</b>	<b>6,281.0</b>	<b>6,281.0</b>	<b>6,281.0</b>	<b>6,281.0</b>

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill will increase the cumulative authorization for international airport revenue bonds, allowing for the sale of up to \$76,600,000 in revenue bonds to support capital improvement programs for FY 04 through FY 06 at the Ted Stevens International Airport and Fairbanks International Airport collectively the Alaska International Airport System (AIAS).

Revenue bond funding allows annual debt service to be paid through airline rates and fees spread over time.

Assuming an interest rate of 6.5%, and a 25-year term, annual debt service would be approximately \$6.3 million per year in FY 2005 through FY2029. Issuance costs are approximately 2% of bonds issued.

Prepared by: Steve Porter, Deputy Commissioner Phone 465-2365  
Division Department of Revenue Date/Time 5/8/03 4:57 PM  
Approved by: Bill Corbus, Commissioner Date 5/8/2003  
Agency Department of Revenue



# **Alaska International Airports System Business Planning Information**

Presentation to State of Alaska Legislature

May 9, 2003

distributed by DOT & PF



# Overview

- **Aviation Industry Outlook**
  - Federal Airline Assistance
  - Commercial Carriers
  - Cargo Carriers
- **Alaska Economic and Demographic Overview**
- **AIAS Aviation Activity**
- **AIAS Airport Operating Agreement (AOA) and Bond Resolution**
- **AIAS Plan of Finance**
  - Sources of Funds
  - Series 2001 AIAS Revenue Bonds
  - Future Series AIAS Revenue Bonds
  - Landing Fees
  - Terminal Rentals Rates
- **Comparative Airport Data**



# **Industry Outlook**

## **Federal Airline Assistance**

**Airlines will be getting additional federal assistance....**

➤ **Airline Improvement Program**

- Provides funding for planning and development at airports.
- \$3.4 billion appropriated for 2003 and now in authorization hearings.

➤ **Emergency Wartime Supplemental Appropriations Act**

- H.R. 1559 signed April 16, 2003
- \$3.5 billion assistance for the airline industry
- Of \$665.0 million earmarked for the TSA, \$235.0 million is specified for airport explosive detection systems



# Industry Outlook

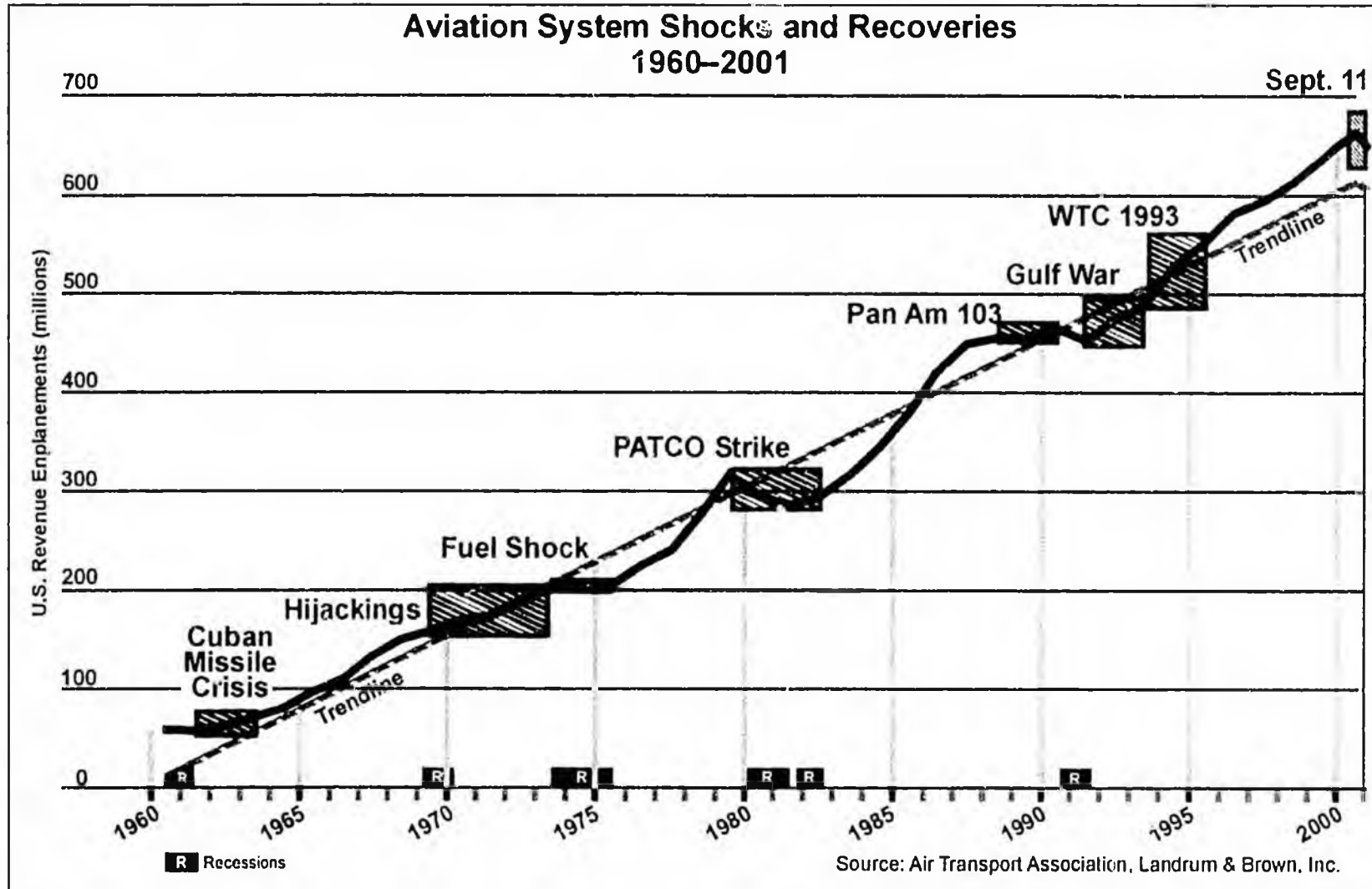
## Commercial Carriers

- **The Changing North American Market**
  - Expansion of low fare carriers (Southwest, jetBlue) into long-haul markets.
  - Mainline hub carriers realigning regional flights (short-haul markets)
  - Increasing role of regional jets
  - Longer-haul transcontinental routes – new aircraft
  
- **Key Elements to Recovery**
  - Capacity Reduction
  - Restructured Labor Agreements
  - Re-aligned Hub Networks
  
- **Near Term Forecast**
  - Potential bankruptcy scenarios will continue to be evaluated
  - Demand/capacity managed through continuing schedule reductions
  - Industry recovery should occur in 2005



# Industry Outlook

## Commercial Carriers





# Industry Outlook

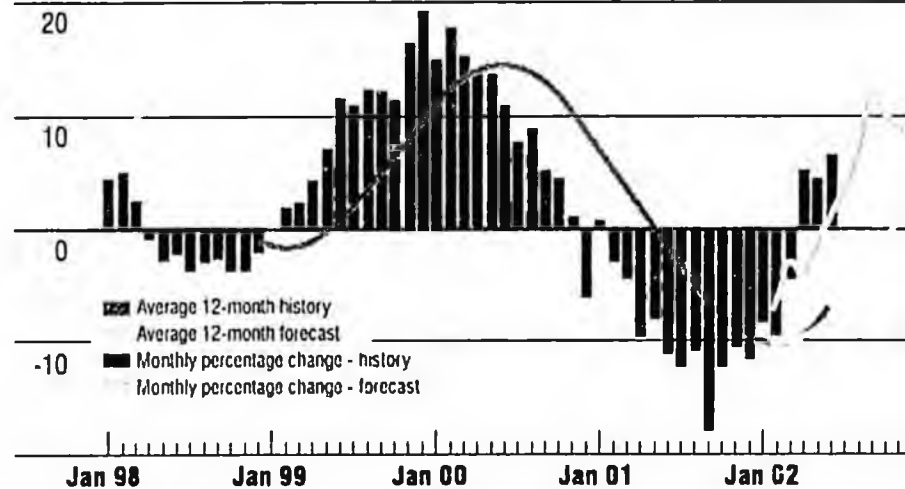
## Cargo Carriers

Cargo markets contracted during the recent recession...

.....but the future forecast remains strong, especially for the markets served from AIAS.

### Major Air Cargo Markets Severely Contracted in 2001

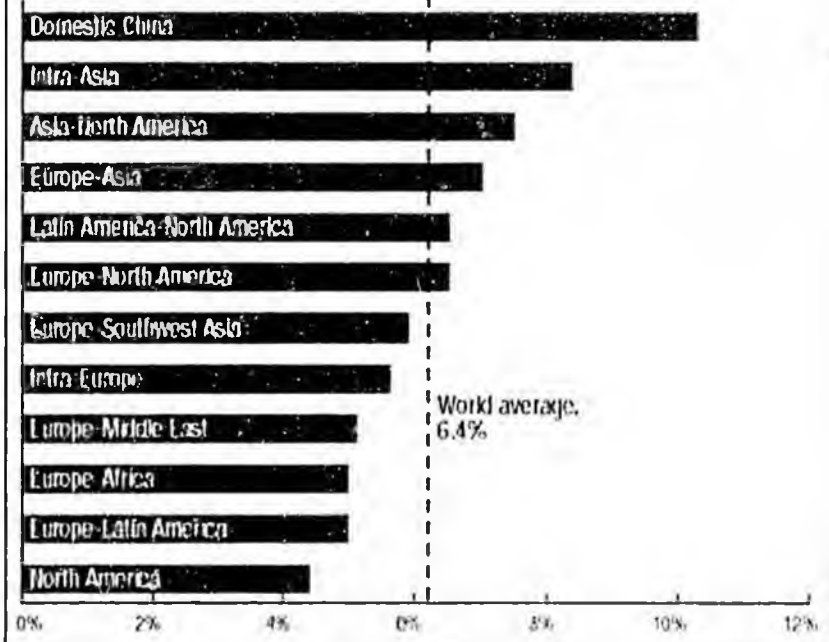
Monthly percentage of change over prior year



Source: U.S. Department of Commerce, APA, AEA, ATA and the Boeing World Air Cargo Forecast

### Asia cargo markets lead industry growth

Growth, percentage 2001-2021



Source: Boeing "World Air Cargo Forecast 2002-2003", Sept. 2002



# AIAS Aviation Activity Enplanements

Passenger traffic has recovered more quickly than expected...

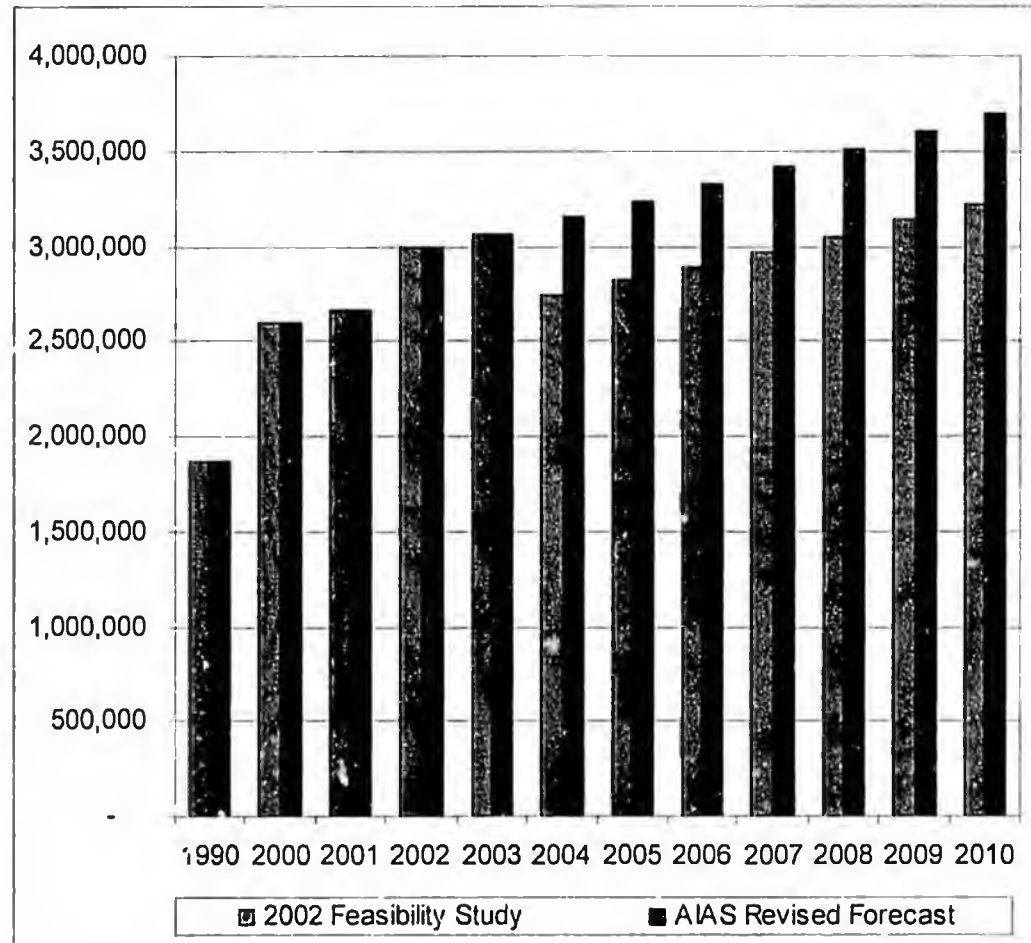
Year	2002 Feasibility Study	AIAS Revised Forecast
1990A	1,867,281	1,867,281
2000A	2,593,585	2,593,585
2001A	2,658,282	2,658,282
2002A	2,995,458	2,995,458
2003EA	3,064,810	3,064,810
2004F	2,747,000	3,148,000
2005F	2,815,000	3,234,000
2006F	2,892,000	3,322,000
2007F	2,971,000	3,413,000
2008F	3,052,000	3,506,000
2009F	3,135,000	3,602,000
2010F	3,221,000	3,700,000

Average Annual Growth Rates		
1990 - 2002	4.0%	4.0%
2002 - 2007	-0.2%	2.6%
2007 - 2010	2.7%	2.7%
1990 - 2010	2.8%	3.5%

A = Actual

EA = Estimated Actual

F = Forecast





# AIAS Aviation Activity

## Total Gross Take Off Weight

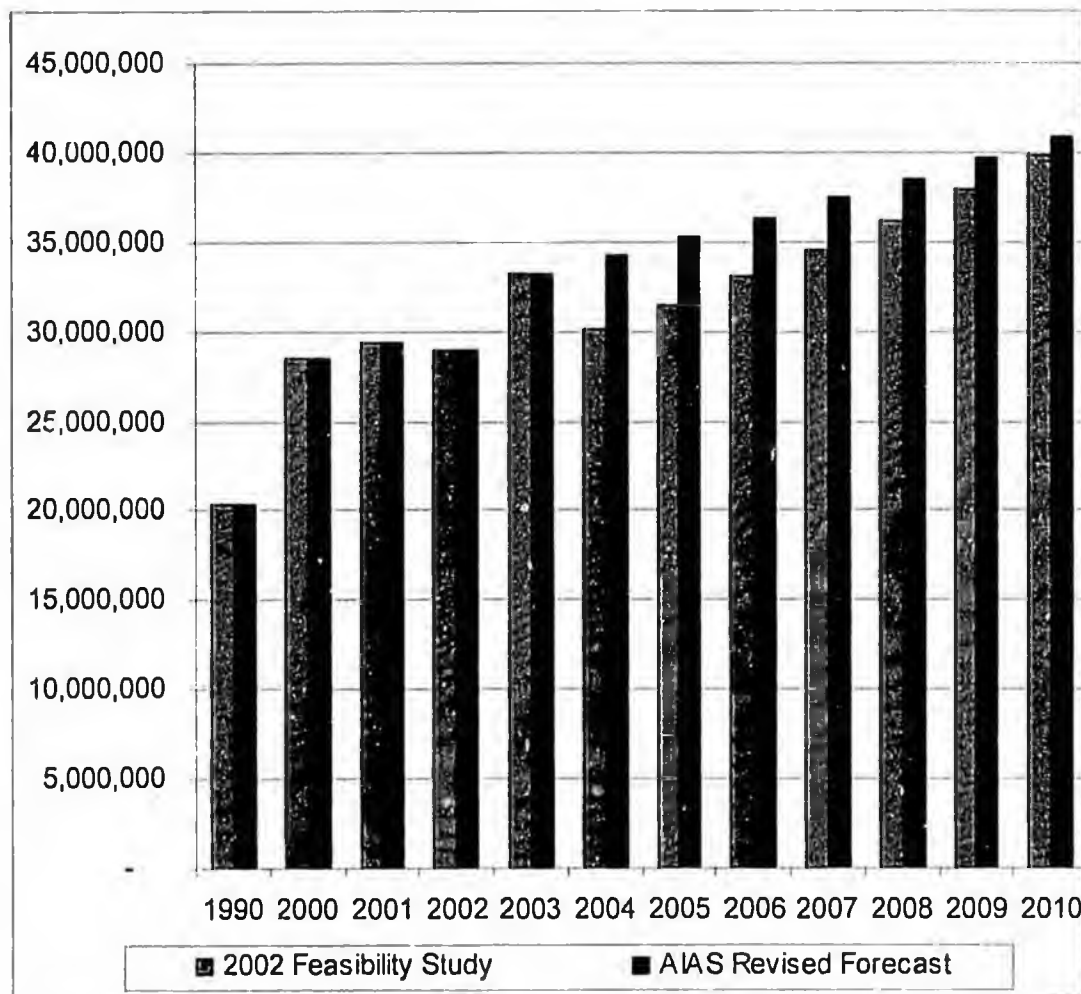
Year	2002 Feasibility Study	AIAS Revised Forecast
1990A	20,347,453	20,347,453
2000A	28,404,211	28,404,211
2001A	29,422,940	29,422,940
2002A	28,937,906	28,937,906
2003EA	33,252,888	33,252,888
2004F	30,060,000	34,250,000
2005F	31,473,000	35,278,000
2006F	32,977,000	36,336,000
2007F	34,557,000	37,426,000
2008F	36,219,000	38,549,000
2009F	37,967,000	39,705,000
2010F	39,805,000	40,896,000

Average Annual Growth Rates		
1990 - 2002	3.0%	3.0%
2002 - 2007	3.6%	5.3%
2007 - 2010	4.8%	3.0%
1990 - 2010	3.4%	3.6%

A = Actual

EA = Estimated Actual

F = Forecast



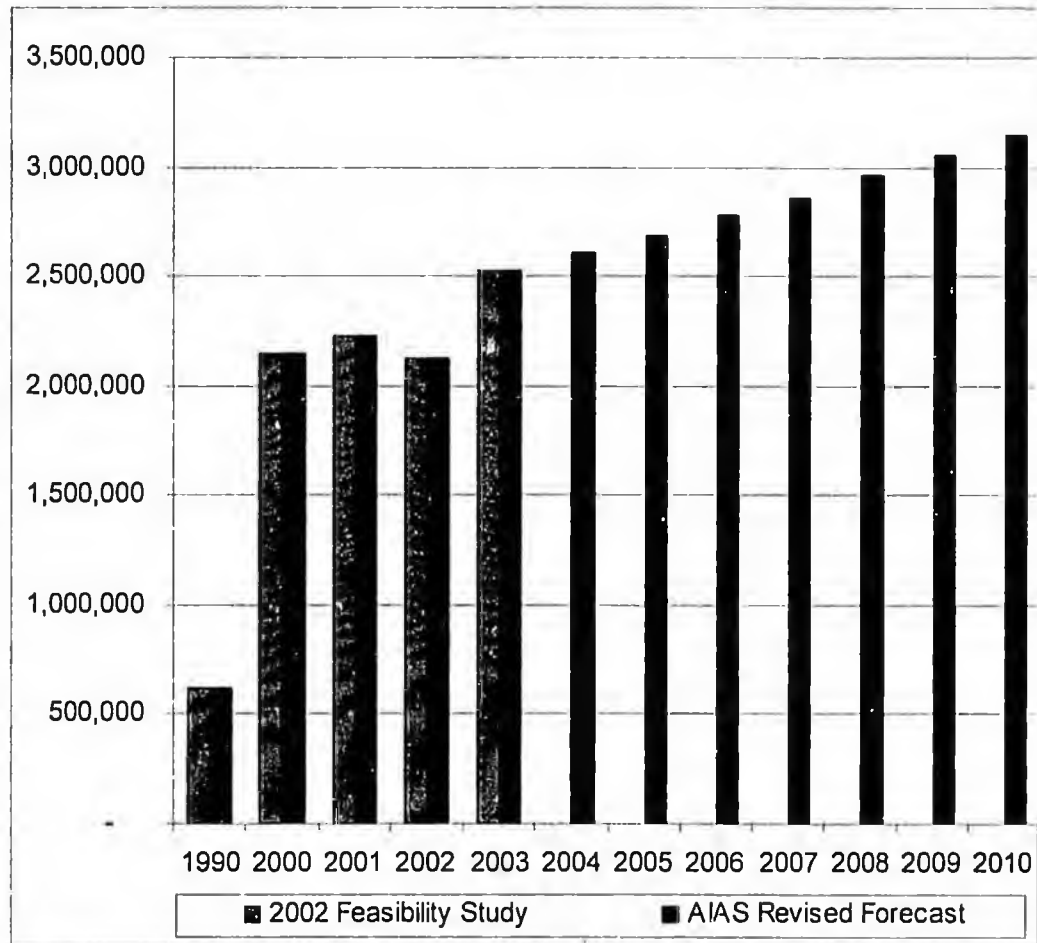


# AIAS Aviation Activity

## Air Cargo Tonnage

Year	2002 Feasibility Study	AIAS Revised Forecast
1990A	622,949	622,949
2000A	2,148,048	2,148,048
2001A	2,227,895	2,227,895
2002A	2,119,877	2,119,877
2003EA	2,523,783	2,523,783
2004F	-	2,605,000
2005F	-	2,688,000
2006F	-	2,774,000
2007F	-	2,863,000
2008F	-	2,955,000
2009F	-	3,050,000
2010F	-	3,148,000
Average Annual Growth Rates		
1990 - 2002	10.7%	10.7%
2002 - 2007	N/A	6.2%
2007 - 2010	N/A	3.2%
1990 - 2010	N/A	8.4%

A = Actual  
 EA = Estimated Actual  
 F = Forecast



The 2002 Feasibility Study did not forecast air cargo tonnage.



# AIAS Plan of Finance

## AOA

- Negotiated in 2001 to replace outdated agreement with airlines
- **Defines Airline Rates and Charges Methodology:**

M&O Expenses	+	Annual Debt Service	+	Fund Deposit Requirements	-	Non-Airline Revenues	=	Net Airline Requirement
--------------	---	---------------------	---	---------------------------	---	----------------------	---	-------------------------

Net Airline Requirement - collected through Landing Fees, Terminal Rentals, Common Use Premises Charges, FIS Fees, Aircraft Ramp Rentals, Airport Administered Premises Charges, Aircraft Parking Charges.

- Creates five Administrative Reserve Funds
- Obligates the airlines to pay AIAS Revenue Bonds through rates and charges
- Establishes Capital Project consultation procedures
- Establishes Airline lease obligations and accommodation procedures

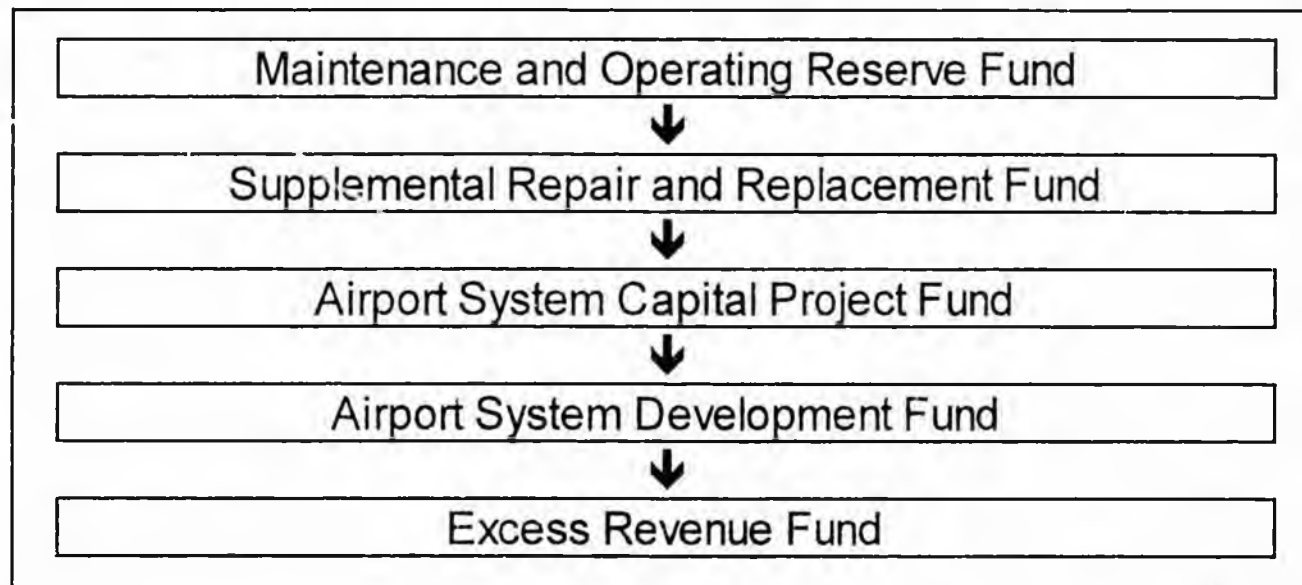


# AIAS AOA and Bond Resolution

## AOA

### ➤ Administrative Reserve Funds

- Negotiated as part of the new AOA, in part to improve bond ratings
- Subordinate to funds established in AIAS Bond Resolution
- Debt service is paid even before AIAS Maintenance and Operating Expenses





# **AIAS AOA and Bond Resolution**

## **Bond Resolution**

- **All AIAS Revenues are pledged to make AIAS Revenue Bond payments**
  
- **Rate Covenant:**
  - Commissioner of DOT&PF is required to fix and collect such fees, charges and rentals from use of the AIAS Airports so that Net Revenues in each fiscal year are at least equal to 1.25 times Aggregate Annual Debt Service plus deposit requirements in the Reserve Account and the Repair and Replacement Fund. (FY05 - \$38.7 Million)
  
- **Additional Bonds Test (Future Parity Bonds) Requires:**
  - Authorizing Legislation
  - Commissioner finding that proceeds will be expended on necessary projects
  - State is in compliance with all covenants of Bond Resolution
  - State certifies that Net Revenues during next three years equal to at least 1.25 times Aggregate Annual Debt Service



# **AIAS AOA and Bond Resolution**

## **Bond Resolution**

### **➤ Security for the Bonds – 1999 and 2002 Bond Resolution**

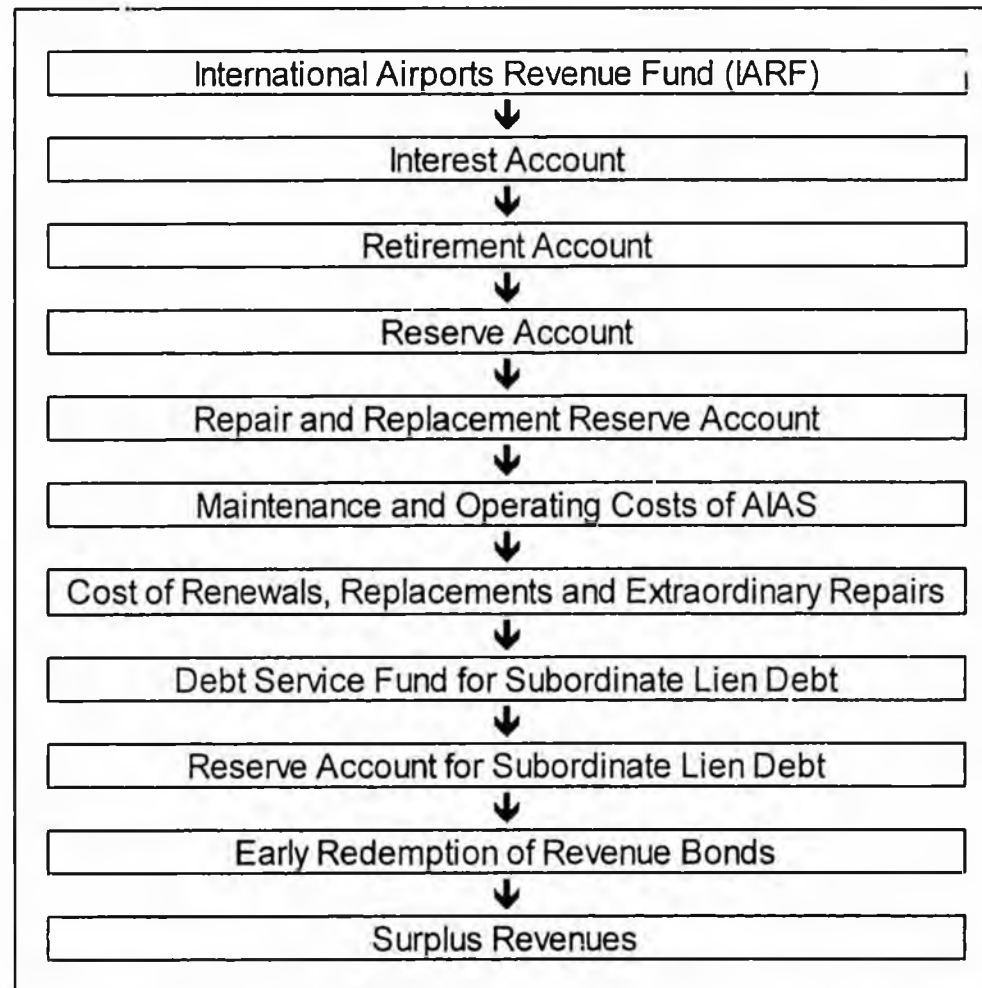
**“The Bonds are not a general obligation of the State, and the State does not pledge its faith and credit to the payment of the Bonds. The issuance of the Bonds does not directly or indirectly or contingently obligate the State or any political subdivision thereof to apply money from, or levy or pledge, any form of taxation whatever to the payment of the Bonds.”**



# AIAS AOA and Bond Resolution

## Bond Resolution

### ➤ Flow of Funds





# AIAS AOA and Bond Resolution

## ➤ **Relationship of AOA to State Bond Resolution:**

- The AOA states explicitly that it is subordinate in all respects to the State's Bond Resolution, and that all AIAS Revenues collected by DOT&PF shall be applied as set forth in the Bond Resolution.
- The Bond Resolution states that all AIAS Revenues are pledged to payment of the AIAS Revenue Bonds.
- These two provisions protect both the State and investors, and are standard industry language for airport owners that issue airport revenue bonds.



# AIAS Plan of Finance

## Sources of Funds

### ➤ International Airport Revenue Fund (IARF)

- Includes AIAS Development Fund established in AOA (\$6.0 million annually)

### ➤ AIAS Revenue Bonds:

<b>Outstanding Bonds</b>	<b>Issue Date</b>	<b>Original Principal Amount</b>	<b>Annual Debt Service Payment</b>	<b>Moody's Credit Rating</b>
Series 1993 I	08/01/93	\$34.8 million	\$2.3 million	Aaa
Series 1999 A	01/15/99	\$162.5 million	\$11.8 million	Aaa
Series 1999 B	01/15/99	\$16.7 million	\$1.2 million	Aaa
Series 1999 C	10/01/99	\$25.0 million	\$2.0 million	Aaa
Series 2002 A	04/01/02	\$13.1 million	\$3.6 million (1)	Aaa
Series 2002 B	04/01/02	\$127.7 million	\$10.4 million (1)	Aaa
<b>Total</b>		<b>\$379.8 million (2)</b>	<b>\$31.6 million</b>	

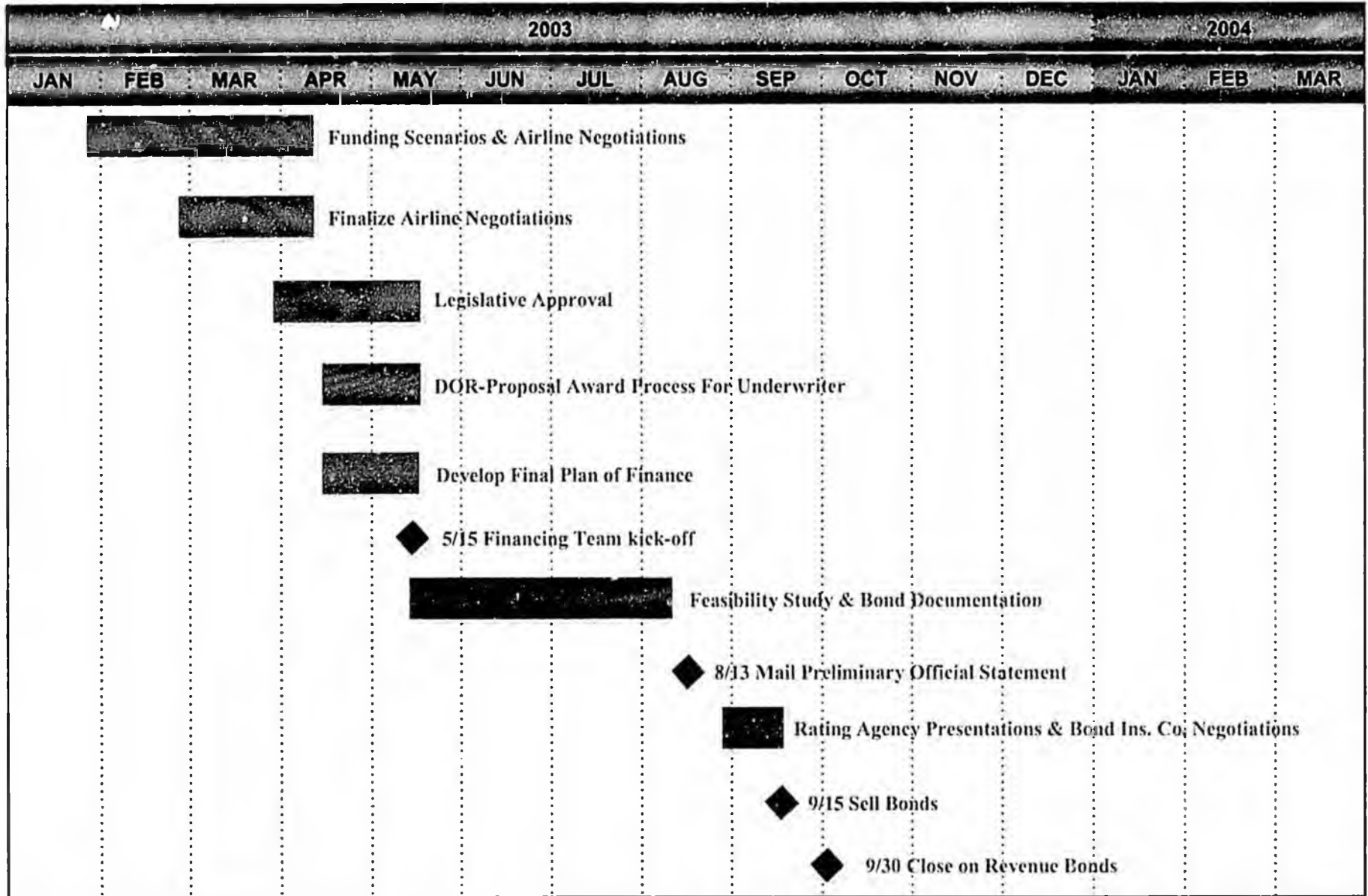
(1) Maximum Annual Debt Service Payment.

(2) Outstanding Principal Amount \$368.2 million as of 6/30/02



# AIAS Plan of Finance

## Series 2004 AIAS Revenue Bonds





# AIAS Plan of Finance

## Series 2004 AIAS Revenue Bonds

(in millions)

<b>TRP Project Funding Requirement - FY04</b>	<b>\$50.0</b>
Less:	
Contribution From IARF	(2.0)
Contribution FY02-FY03 CIP	0.0
<b>TRP Net Project Funding Requirement - FY04</b>	<b>\$48.0</b>
<b>CIP Project Funding Requirement - ANC FY04</b>	<b>\$18.4</b>
Less:	
Contribution FY02-FY03 CIP	(1.0)
PFC Funded Portion of FY04-FY06 CIP	(7.4)
<b>CIP Net Project Funding Requirement - ANC FY04</b>	<b>\$10.0</b>
<b>CIP Project Funding Requirement - FAI FY04</b>	<b>\$3.5</b>
<b>Total Project Funding Requirement - FY04</b>	<b>\$61.5</b>
<b>Other Financing Costs</b>	<b>15.1</b>
<b>Total TRP and CIP Bond Funding Requirement - FY04</b>	<b>\$76.6</b>



# AIAS Plan of Finance

## Future Series AIAS Revenue Bonds

(in millions)

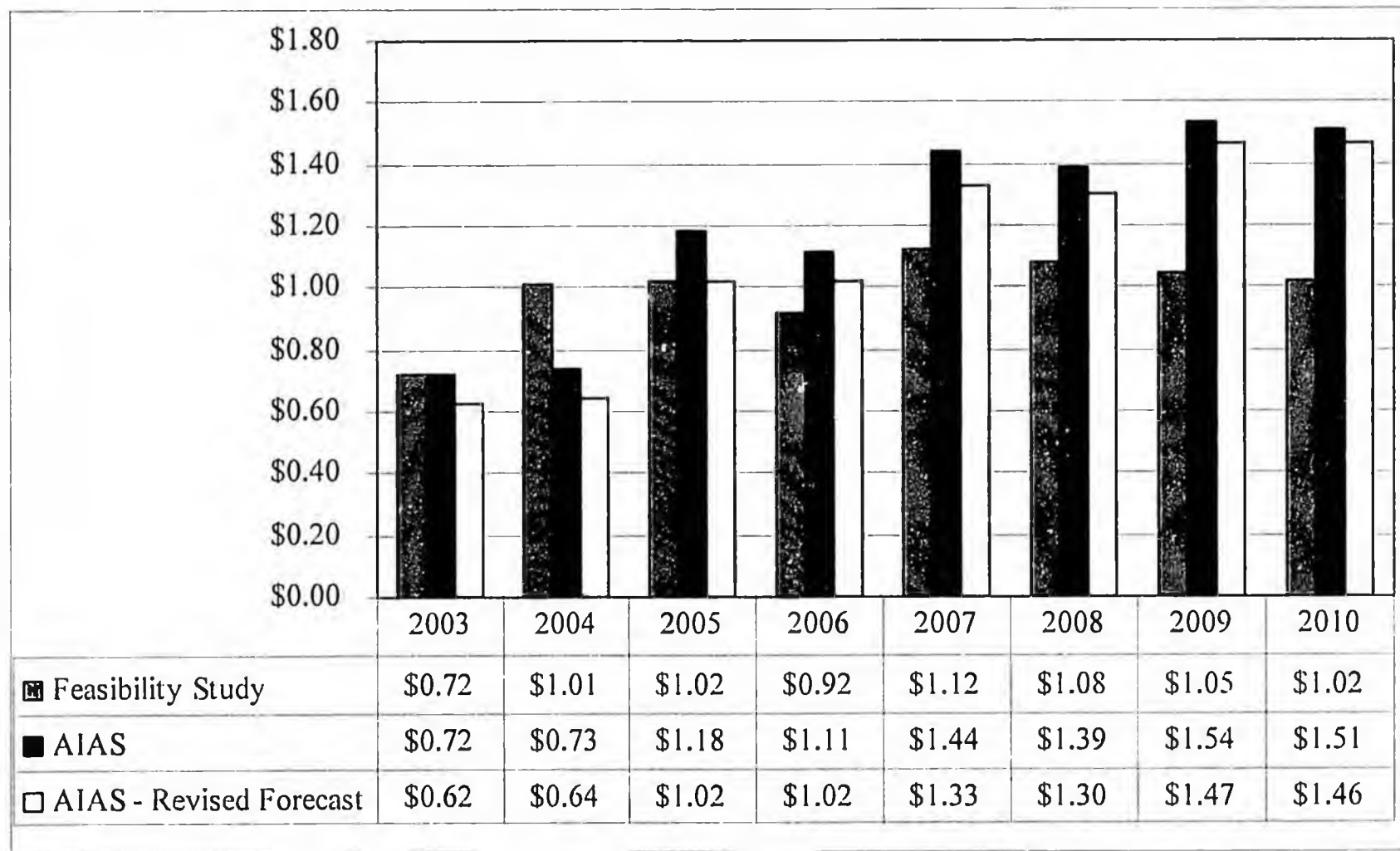
<b>TRP Project Funding Requirement - FY05</b>	\$108.0
Other Financing Costs	30.9
<b>Total TRP Bond Funding Requirement - FY05</b>	<u>\$138.9</u>
<b>CIP Project Funding Requirement - ANC FY07</b>	\$58.2
Defer FY02-FY03 Project until FY07	1.0
CIP PFC Funded Portion of FY04-FY06	2.2
<b>CIP Net Project Funding Requirement - ANC FY07</b>	<u>\$61.4</u>
Other Financing Costs	18.4
<b>Total CIP Bond Funding Requirement - FY07</b>	<u>\$79.8</u>
<b>Total TRP and CIP Bond Funding Requirements - FY04-FY07</b>	<u><u>\$295.3</u></u>



# AIAS Plan of Finance

## Landing Fees

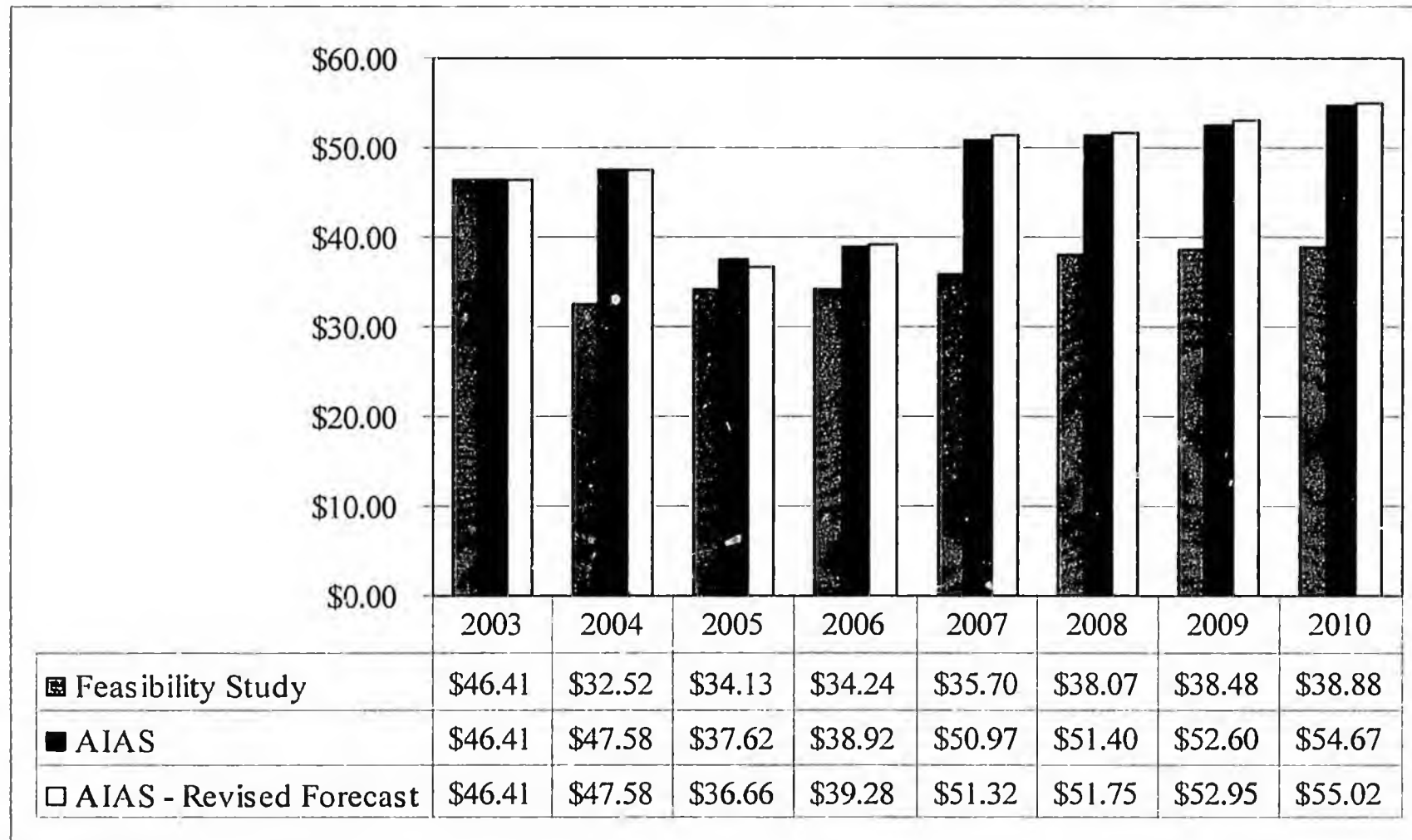
(per 1,000 lbs)





# AIAS Plan of Finance

## Terminal Rental Rate





# Comparative Airport Data

**Comparable airports are proceeding with development plans...**

Airport	Recent Financings (CY2002 - Present)			Development Program
	Sale Date	Rating	Amount	
<b>AIAS</b>	<b>03/28/02</b>	<b>Aaa</b>	<b>\$140.8</b>	<b>Terminal Redevelopment Program</b>
Louisville	09/23/02	Aaa	\$84.3	Terminal Expansion
Memphis	01/08/03	A2	\$22.1 <sup>(1)</sup>	Airfield/Taxiway/New Parking Facility
	11/20/02	Aaa	\$23.2 <sup>(1)</sup>	
Oakland	09/24/02	Aaa	\$121.5 <sup>(1)</sup>	Concourse Renovation
	07/24/02	Aaa	\$620.0	
Portland	no recent bond issues			Terminal Expansion, Airfield renovations
Sacramento	07/25/02	Aaa	\$91.8	Terminal Expansion
San Francisco	12/18/02	Aaa	\$157.0 <sup>(1)</sup>	Ground Transportation Improvements
	02/28/02	Aaa	\$365.0 <sup>(1)</sup>	
San Jose	12/04/02	Aaa	\$91.6	New Terminal
Seattle	11/14/02	Aaa	\$230.6 <sup>(2)</sup>	Third runway, Terminal Expansion

(1) Refunding Bonds

(2) Series 1999, remarked

*“Over 2002-2010, at least \$30 billion in major infrastructure improvements are planned in the major airlines’ hub airports....” -- Salomon Smith Barney “2002 Hub Factbook”*



# Comparative Airport Data

## Debt Comparison

**The debt load of any individual airport depends on where it is in its development cycle...**

<b>Airport</b>	<b>Estimated Annual Debt Service FY2003 (in millions)</b>	<b>Estimated Debt Service per Enplanement FY2003</b>
AIAS	\$19.5	\$7.40
Louisville	\$42.1	\$24.76
Memphis	\$87.2	\$17.48
Oakland	\$207.9	\$37.69
Portland	\$43.0	\$7.41
Sacramento	\$25.2	\$6.24
San Francisco	\$432.3	\$30.88
San Jose	\$27.8	\$5.13
Seattle (1)	\$69.2	\$5.45

(1) Seattle cost per enplanement in FY03 is \$9.31 and is forecast to increase to \$20.75 in FY07

As of fiscal year ending June 2002, except Seattle, FY ending 12/31/02

Source: Financial data from DOT Form 127. Enplanement data from U.S. DOT as compiled by Data Base Products, Inc.



## Comparative Airport Data

### Top 10 New Money Bond Issues at Other Airports Since Sept. 11<sup>th</sup>

		(in millions)
07/24/02	Port of Oakland - California	\$620.0
07/25/02	NYC Industrial Dev Agency; American Airlines	\$500.0
07/24/02	Houston Intercontinental Airport	\$474.5
10/05/01	Port of Seattle - Washington	\$427.5
04/24/02	Los Angeles Department of Airports	\$300.0
06/26/02	Port of NY & NJ	\$300.0
10/21/02	Atlanta Hartsfield Airport	\$300.0
05/17/02	Miami International Airport	\$299.0
03/15/02	Regional Airports Imp Corp: American Airlines	\$268.0
02/12/02	Maryland Transportation Authority	\$264.0
	New Money Bonds	\$7,398.7
	Refunding Bonds	\$6,961.4
	Total Bond Issues	<u>\$14,360.1</u>



# AIAS Risk Assessment

## ➤ **Operational Risk**

- Lower enplanement and air cargo tonnage activity
- Lower Non-Airline Revenues
- Additional TSA security processing requirements

## ➤ **Project Risk**

- Schedule delay
- Lower amount of Airline Leased Premises
- Project cost increases

## ➤ **Financial Risk**

- Lower AIP discretionary funding
- Higher interest rates
- “Event Threat” on industry



# Findings and Recommendations

- Airport Revenue Bonds provide consistent, predictable airline rate impacts
- Based on the AOA, airlines pay for all operating and capital costs of the AIAS after deducting Non-Airline Revenues
- Anchorage passenger market has recovered and will continue to grow by 2% to 3% annually
- Anchorage cargo market has exceeded forecasts and is a key point of departure for trans-pacific market
- Full faith and credit is not at risk with issuance of Airport Revenue Bonds
- In order to be ready to meet the forecast recovery, other airports are moving ahead with large-scale development programs.
- TRP completion needed to meet future passenger demand

FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

May 8, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to bond funding of capital improvements for the Alaska International Airports System.

The bill increases the cumulative authorization for international airports revenue bonds, allowing the sale of up to \$76,600,000 in new revenue bonds to support capital improvement programs for FY 04 through FY 06 at the Ted Stevens Anchorage International Airport and Fairbanks International Airport, referred to collectively as the Alaska International Airports System (AIAS), and certain passenger terminal renovation work at the Ted Stevens Anchorage International Airport.

Funding for operations and capital improvements of the AIAS is obtained from charges for the use of airport facilities, primarily paid by commercial airlines. The AIAS and the airlines that are signatories to the International Airports System Operating Agreement have agreed to a capital improvement program approved by the signatory airline ratepayers under the operating agreement. Under the operating agreement, effective from September 1, 2001 through June 30, 2006, the AIAS has shifted from cash funding long-term projects in advance through annual capital charges paid by the airlines through rates and fees, to revenue bond funding for most projects. Revenue bond funding allows annual debt service to be paid through airline rates and fees spread over longer periods of time, such as the useful life of airport projects. The bonds are not a general obligation of the state, and the state does not pledge its faith and credit to the payment of the bonds. The issuance of the bonds does not directly or indirectly or contingently obligate the state or any political subdivision thereof to apply money from, or levy or pledge, any form of taxation whatever to the payment of the bonds.


The Honorable Gene Therriault  
May 8, 2003  
Page 2

Additional bond authorization under AS 37.15.410 was granted in 2001 to implement the capital improvement program for the first two years of the Operating Agreement. Additional bond authorization is now required to finance the continuation of the capital improvement program. AS 37.15.410 currently authorizes the state to issue up to \$447,900,000 of revenue bonds to support airport projects. This authority, cumulative since the inception of AS 37.15.410, will be exhausted by June 30, 2003, with outstanding bond principal standing at \$368,200,000.

The authority sought in this bill would increase the bond authorization limit to finance three more years of capital improvements at both the Ted Stevens Anchorage International Airport and Fairbanks International Airport, as well as completion costs of the redevelopment of Concourse C at the Ted Stevens Anchorage International Airport passenger terminal. By covering these needs in a single new bond issue, the state would be able to reduce costs related to the debt issuance.

The Alaska International Airports System is an increasingly vital and growing part of our economic engine. The airports system and the state's major air carriers propose to continue developing our world-class international airports through the implementation of the International Airports Operating Agreement, supported by the issuance of these additional revenue bonds. In order to assure timely project development, I urge your prompt and favorable action on this measure.

Sincerely,



Frank H. Murkowski  
Governor

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 5/9/03

FURTHER: Finance

Date of 5-Day Notice: 24 Hour Rule  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 5/10/03

Transportation Committee considered SENATE BILL NO. 216

### SB 216 INTERNATIONAL AIRPORTS REVENUE BONDS

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

and recommends:

be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to \_\_\_\_\_ Committee

**Senate Bill:**

same title

new title

**House Bill:**

same title

technical title

new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
REV	5/9/03	✓		1

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

**SIGNATURES AND RECOMMENDATIONS:**

Do  
PASS

Do Not  
PASS

No REC

AMEND

Therriault  
Wagoner

<i>Gene Therriault</i>			✓	
<i>Thomas H. Wagoner</i>	✓			
CHAIR: <i>John J. Casadeau</i>	✓			

Wardery

SENATE FINANCE COMMITTEE

SIGN-IN

SB 216-INTERNATIONAL AIRPORTS REVENUE BONDS

NAME: Tom Barton or Owen Mitchell Subject/Bill No: SB 216

Co./Dept./Title: Dept of Revenue & State Bond Committee Phone: 405-3669

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions





**SB**

**219**

**SFIN**

**FILE**



Official Business

# Alaska State Legislature

## Senate

### Office of the Secretary

State Capitol, Room 213  
Juneau, Alaska 99801-1182  
Phone: (907) 465-3701  
Fax: (907) 465-2832  
Email:senate\_secretary@legis.state.ak.us

#### **FOR YOUR IMMEDIATE ATTENTION**

DATE: April 19, 2004

TO: Finance Committee  
(Mindy, Room 532)

FROM: Office of the Senate Secretary

SUBJ: Referral Change

The Co-Chair of the Committee noted above has waived the referral(s) on the following bills(s):

#### **RETRIEVE**

SENATE BILL NO. 219  
"An Act relating to offenses against unborn children."

Please give the bill file(s) to the page delivering this message for forwarding to the next Committee of referral.

Thank you.

**SB**

**220**

**SFIN**

**FILE**

SB 220

was referred to the  
Senate Finance  
Committee

Hearing(s) were held

The bill did not move  
from Committee

Adopted 5/14/03

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS1128D  
Kurtz  
5/12/03

**CS FOR SENATE BILL NO. 220( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - FIRST SESSION**

**BY**

Offered:  
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEE

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to a state sales and use tax; relating to taxes levied by cities and  
2 boroughs; providing authority to the Department of Revenue to enter into the  
3 Streamlined Sales and Use Tax Agreement; increasing the motor fuel tax and repealing  
4 the special tax rates on blended fuels; and providing for an effective date."

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

6 \* Section 1. AS 28.10.021(a) is amended to read:

7 (a) The owner of a vehicle subject to registration shall apply for registration  
8 under this chapter by properly completing the form prescribed by the commissioner  
9 under AS 28.05.041. Before the issuance of a certificate of registration by the  
10 department, the owner shall

11 (1) pay all registration fees and taxes required under this chapter,  
12 [AND] federal heavy vehicle use taxes required under 26 U.S.C. 4481 (Internal  
13 Revenue Code of 1954), and the sales or use tax levied under AS 43.44.010;

14 (2) unless the owner qualifies as a self-insurer under AS 28.20.400 or

1 is exempted from obtaining liability insurance under AS 28.22.011, certify to the  
2 department the existence of a motor vehicle liability policy that complies with  
3 AS 28.22.011 for the vehicle being registered; in this paragraph, "certify" means to  
4 indicate by check-off on the vehicle registration form prescribed by the department the  
5 existence of a policy of insurance, if a policy is required at that time, and the intention  
6 to continue the policy or obtain a policy as required by this subsection; and

7 (3) comply with other applicable statutes and regulations.

8 \* Sec. 2. AS 28.10.021(a) is amended to read:

9 (a) The owner of a vehicle subject to registration shall apply for registration  
10 under this chapter by properly completing the form prescribed by the commissioner  
11 under AS 28.05.041. Before the issuance of a certificate of registration by the  
12 department, the owner shall

13 (1) pay all registration fees and taxes required under this chapter and  
14 [,] federal heavy vehicle use taxes required under 26 U.S.C. 4481 (Internal Revenue  
15 Code of 1954) [, AND THE SALES OR USE TAX LEVIED UNDER AS 43.44.010];

16 (2) unless the owner qualifies as a self-insurer under AS 28.20.400 or  
17 is exempted from obtaining liability insurance under AS 28.22.011, certify to the  
18 department the existence of a motor vehicle liability policy that complies with  
19 AS 28.22.011 for the vehicle being registered; in this paragraph, "certify" means to  
20 indicate by check-off on the vehicle registration form prescribed by the department the  
21 existence of a policy of insurance, if a policy is required at that time, and the intention  
22 to continue the policy or obtain a policy as required by this subsection; and

23 (3) comply with other applicable statutes and regulations.

24 \* Sec. 3. AS 29.10.200(51) is amended to read:

25 (51) AS 29.45.650 [AS 29.45.650(c), (d), (e), AND (f)] (sales and use  
26 tax);

27 \* Sec. 4. AS 29.10.200(51) is amended to read:

28 (51) AS 29.45.650(c), (d), (e), and (f) [AS 29.45.650] (sales and use  
29 tax);

30 \* Sec. 5. AS 29.10.200(52) is amended to read:

31 (52) AS 29.45.700 [AS 29.45.700(d)] (sales and use tax);

1 \* Sec. 6. AS 29.10.200(52) is amended to read:

2 (52) AS 29.45.700(d) [AS 29.45.700] (sales and use tax);

3 \* Sec. 7. AS 29.10.200 is amended by adding a new paragraph to read:

4 (64) AS 29.45.720 (specific taxes on tangible personal property and  
5 services).

6 \* Sec. 8. AS 29.35.110(a) is amended to read:

7 (a) Borough revenues received through taxes levied [COLLECTED] on an  
8 areawide basis by the borough may be expended on general administrative costs and  
9 on areawide functions only. Borough revenues received through taxes levied  
10 [COLLECTED] on a nonareawide basis may be expended on general administrative  
11 costs and functions that render service only to the area outside all cities in the  
12 borough.

13 \* Sec. 9. AS 29.35.110(a) is amended to read:

14 (a) Borough revenues received through taxes collected [LEVIED] on an  
15 areawide basis by the borough may be expended on general administrative costs and  
16 on areawide functions only. Borough revenues received through taxes collected  
17 [LEVIED] on a nonareawide basis may be expended on general administrative costs  
18 and functions that render service only to the area outside all cities in the borough.

19 \* Sec. 10. AS 29.35.170 is amended to read:

20 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
21 assess [AND COLLECT] property [, SALES, AND USE] taxes and collect taxes,  
22 other than general sales and use taxes, that are levied in its boundaries, subject to  
23 AS 29.45.

24 (b) Taxes, other than general sales and use taxes, levied by a city shall be  
25 collected by a borough and returned in full to the levying city. This subsection applies  
26 to home rule and general law municipalities.

27 \* Sec. 11. AS 29.35.170 is amended to read:

28 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A borough shall  
29 assess and collect property , sales, and use taxes [AND COLLECT TAXES, OTHER  
30 THAN GENERAL SALES AND USE TAXES,] that are levied in its boundaries,  
31 subject to AS 29.45.

1 (b) Taxes [, OTHER THAN GENERAL SALES AND USE TAXES,] levied  
2 by a city shall be collected by a borough and returned in full to the levying city. This  
3 subsection applies to home rule and general law municipalities.

4 \* Sec. 12. AS 29.45.650 is repealed and reenacted to read:

5 **Sec. 29.45.650. General sales and use tax.** (a) Except as provided in  
6 AS 04.21.010(c) and AS 29.45.750, a borough may levy a general sales tax on the sale  
7 and rental of tangible or intangible property and on services provided in the borough.

8 (b) A borough levying a general sales tax may also by ordinance levy a use tax  
9 on the storage, use, or consumption of tangible personal property and on the use of  
10 services in the borough. The use tax rate must equal the sales tax rate, and the use tax  
11 shall be levied only on purchasers.

12 (c) A tax authorized under this section shall be administered and collected by  
13 the state under AS 43.44. The exemptions to a tax authorized under this section shall  
14 be identical to those provided in AS 43.44.

15 (d) After December 31, 2007, a municipality may not levy a sales and use tax  
16 on the sale or use of tangible personal property or the sale of services exceeding six  
17 percent.

18 (e) After December 31, 2009, a municipality may not levy a sales and use tax  
19 on the sale or use of tangible personal property or the sale of services exceeding five  
20 percent.

21 \* Sec. 13. AS 29.45.650 is repealed and reenacted to read:

22 **Sec. 29.45.650. Sales and use tax.** (a) Except as provided in  
23 AS 04.21.010(c), AS 29.45.750, and in (f) and (g) of this section, a borough may levy  
24 and collect a sales tax on sales, rents, and on services provided in the borough. The  
25 sales tax may apply to any or all of these sources. Exemptions may be granted by  
26 ordinance.

27 (b) A borough levying a sales tax may also by ordinance levy a use tax on the  
28 storage, use, or consumption of tangible personal property in the borough. The use tax  
29 rate must equal the sales tax rate and the use tax shall be levied only on buyers.

30 (c) A person who furnishes proof, in the form required by the borough tax  
31 collector, that the person has paid a sales tax on the source on which a use tax is levied

1 by the borough is required to pay the use tax only to the extent of the difference  
2 between the amount of the sales tax paid and the amount of the use tax levied by the  
3 borough. This subsection applies to a sales tax levied in any taxing jurisdiction  
4 whether inside or outside the state.

5 (d) If the assembly charges interest on sales taxes not paid when due, the rate  
6 of interest may not exceed 15 percent a year on the delinquent taxes and shall be  
7 charged from the due date until paid in full. This subsection applies to home rule and  
8 general law municipalities.

9 (e) A borough may provide for the creation, recording, and notice of a lien on  
10 real or personal property to secure the payment of a sales and use tax, and the interest,  
11 penalties, and administration costs in the event of delinquency. When recorded, the  
12 sales tax lien has priority over all other liens except (1) liens for property taxes and  
13 special assessments; (2) liens that were perfected before the recording of the sales tax  
14 lien for amounts actually advanced before the recording of the sales tax lien; (3)  
15 mechanics' and materialmen's liens for which claims of lien under AS 34.35.070 or  
16 notices of right to lien under AS 34.35.064 have been recorded before the recording of  
17 the sales tax lien. This subsection applies to home rule and general law municipalities.

18 (f) A borough may not levy and collect a sales tax on a purchase made with  
19 (1) food coupons, food stamps, or other type of allotment issued under 7 U.S.C. 2011 -  
20 2036 (Food Stamp Program); or (2) food instruments, food vouchers, or other type of  
21 certificate issued under 42 U.S.C. 1786 (Special Supplemental Food Program for  
22 Women, Infants, and Children). For purposes of this subsection, the value of a food  
23 stamp allotment paid in the form of a wage subsidy as authorized under  
24 AS 47.25.975(b) is not considered to be an allotment issued under 7 U.S.C. 2011 -  
25 2036 (Food Stamp Program). This subsection applies to home rule and general law  
26 municipalities.

27 (g) A borough may not levy or collect a sales tax on sales, rents, and services,  
28 or a use tax on the storage, use, or consumption of personal property on the following  
29 activities:

30 (1) the sale, lease, rental, storage, consumption, or distribution in this  
31 state of or the provision of services relating to an orbital space facility, space

1 propulsion system, or space vehicle, satellite, or station of any kind possessing space  
2 flight capacity, including the components of them;

3 (2) the sale, lease, rental, storage, consumption, or use of tangible  
4 personal property placed on or used aboard an orbital space facility, space propulsion  
5 system, or space vehicle, satellite, or station of any kind, regardless of whether the  
6 tangible personal property is returned to this state for subsequent use, storage, or  
7 consumption; an exemption under this paragraph is not affected by the failure of a  
8 launch to occur, or the destruction of a launch vehicle or a component of a launch  
9 vehicle.

10 \* Sec. 14. AS 29.45.660(a) is amended to read:

11 (a) If the borough levies [AND COLLECTS] only a general sales tax and use  
12 tax, the assembly shall provide a notice substantially in the form set out in  
13 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
14 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
15 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

16 (1) by publishing in a newspaper of general circulation in the borough  
17 a copy of the notice once each week for a period of three successive weeks, with  
18 publication to occur not later than 45 days after the final adoption of the borough's  
19 budget; or

20 (2) if there is no newspaper of general circulation in the borough, by  
21 posting a copy of the notice for at least 20 days in at least two public places in the  
22 borough, with posting to occur not later than 45 days after the final adoption of the  
23 borough's budget.

24 \* Sec. 15. AS 29.45.660(a) is amended to read:

25 (a) If the borough levies and collects only a [GENERAL] sales tax and use  
26 tax, the assembly shall provide a notice substantially in the form set out in  
27 AS 29.45.020. In providing notice under this subsection, the assembly shall substitute  
28 for the millage equivalency its estimate of the equivalent sales tax rate for each of the  
29 categories of financial assistance set out in AS 29.45.020. Notice shall be provided

30 (1) by publishing in a newspaper of general circulation in the borough  
31 a copy of the notice once each week for a period of three successive weeks, with

1 publication to occur not later than 45 days after the final adoption of the borough's  
2 budget; or

3 (2) if there is no newspaper of general circulation in the borough, by  
4 posting a copy of the notice for at least 20 days in at least two public places in the  
5 borough, with posting to occur not later than 45 days after the final adoption of the  
6 borough's budget.

7 \* Sec. 16. AS 29.45.700 is repealed and reenacted to read:

8 **Sec. 29.45.700. Power of levy.** A city may levy a sales and use tax in the  
9 manner provided for boroughs under AS 29.45.650.

10 \* Sec. 17. AS 29.45.700 is repealed and reenacted to read:

11 **Sec. 29.45.700. Power of levy.** (a) A city in a borough that levies and collects  
12 areawide sales and use taxes may levy sales and use taxes on all sources taxed by the  
13 borough in the manner provided for boroughs. Except as provided in (d) of this  
14 section, the assembly may by ordinance authorize a city to levy and collect sales and  
15 use taxes on other sources.

16 (b) A city in a borough that does not levy and collect sales and use taxes for  
17 areawide borough functions may levy and collect sales and use taxes in the manner  
18 provided for boroughs.

19 (c) A city outside a borough may levy and collect sales and use taxes in the  
20 manner provided for boroughs.

21 (d) A city that levies and collect sales and use taxes under (a) of this section  
22 may not levy and collect a sales tax on a purchase made with (1) food coupons, food  
23 stamps, or other types of allotments issued under 7 U.S.C. 2011 - 2036 (Food Stamp  
24 Program); or (2) food instruments, food vouchers, or other type of certificate issued  
25 under 42 U.S.C. 1786 (Special Supplemental Food Program for Women, Infants, and  
26 Children). For purposes of this subsection, the value of a food stamp allotment paid in  
27 the form of a wage subsidy as authorized under AS 47.25.975(b) is not considered to  
28 be an allotment issued under 7 U.S.C. 2011 - 2036 (Food Stamp Program). This  
29 subsection applies to home rule and general law municipalities.

30 \* Sec. 18. AS 29.45 is amended by adding a new section to read:

31 **Article 5B. Specific Taxes on Tangible Personal Property and Services.**

1           **Sec. 29.45.720. Specific taxes on tangible personal property and services.**

2           Except as specifically prohibited or limited, a municipality may levy and collect  
3           specific sales or excise taxes on single categories of tangible or intangible property or  
4           services, such as bed taxes and fish taxes.

5           \* **Sec. 19.** AS 29.45.810(a) is amended to read:

6           (a) A party to a contract approved by the legislature as a result of submission  
7           of a proposed contract developed under AS 43.82 or as a result of acts by the  
8           legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
9           and activities associated with the approved qualified project that is subject to the  
10          contract, are exempt, as specified in the contract, from all taxes identified in the  
11          contract that would be levied [~~AND COLLECTED~~] by a municipality under state law  
12          as a consequence of the participation by the party in the approved qualified project.

13          \* **Sec. 20.** AS 29.45.810(a) is amended to read:

14          (a) A party to a contract approved by the legislature as a result of submission  
15          of a proposed contract developed under AS 43.82 or as a result of acts by the  
16          legislature in implementing the purposes of AS 43.82, and the property, gas, products,  
17          and activities associated with the approved qualified project that is subject to the  
18          contract, are exempt, as specified in the contract, from all taxes identified in the  
19          contract that would be levied and collected by a municipality under state law as a  
20          consequence of the participation by the party in the approved qualified project.

21          \* **Sec. 21.** AS 43.40.010(a) is amended to read:

22          (a) There is levied a tax of 20 [EIGHT] cents a gallon on all motor fuel sold or  
23          otherwise transferred within the state, except that

24                  (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

25                  (2) the tax on motor fuel used in and on watercraft of all descriptions is  
26          five cents a gallon; and

27                  (3) the tax on all aviation fuel other than gasoline is three and two-  
28          tenths cents a gallon [; AND

29                  (4) THE TAX RATE ON MOTOR FUEL THAT IS BLENDED  
30          WITH ALCOHOL IS THE SAME TAX RATE A GALLON AS OTHER MOTOR  
31          FUEL; HOWEVER,

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

(A) IN AN AREA AND DURING THE MONTHS IN WHICH FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD, TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) - (3) OF THIS SUBSECTION;

(B) NOTWITHSTANDING (A) OF THIS PARAGRAPH, THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL SOLD OR OTHERWISE TRANSFERRED WITHIN THE STATE IS EIGHT CENTS A GALLON LESS THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) - (3) OF THIS SUBSECTION IF THE MOTOR FUEL

(i) IS AT LEAST 10 PERCENT ALCOHOL BY VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS PRODUCED IN A FACILITY THAT PROCESSES LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR FUEL SOLD OR TRANSFERRED THAT CONTAINS ALCOHOL THAT WAS PRODUCED ONLY DURING THE FIRST FIVE YEARS OF THE FACILITY'S PROCESSING OF LIGNOCELLULOSE FROM WOOD; OR

(ii) IS AT LEAST 10 PERCENT ALCOHOL BY VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR FUEL SOLD OR TRANSFERRED THAT CONTAINS ALCOHOL THAT WAS PRODUCED ONLY DURING THE FIRST FIVE YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM

1 WASTE SEAFOOD].

2 \* Sec. 22. AS 43.40.010(a) is amended to read:

3 (a) There is levied a tax of eight [20] cents a gallon on all motor fuel sold or  
4 otherwise transferred within the state, except that

5 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

6 (2) the tax on motor fuel used in and on watercraft of all descriptions is  
7 five cents a gallon; [AND]

8 (3) the tax on all aviation fuel other than gasoline is three and two-  
9 tenths cents a gallon; and

10 (4) the tax rate on motor fuel that is blended with alcohol is the  
11 same tax rate a gallon as other motor fuel; however, in an area and during the  
12 months in which fuel containing alcohol is required to be sold, transferred, or  
13 used in an effort to attain air quality standards for carbon monoxide as required  
14 by federal or state law or regulation, the tax rate on motor fuel that is blended  
15 with alcohol is six cents a gallon less than the tax on other motor fuel not  
16 described in (1) - (3) of this subsection.

17 \* Sec. 23. AS 43.40.010(b) is amended to read:

18 (b) There is levied a tax of 20 [EIGHT] cents a gallon on all motor fuel  
19 consumed by a user, except that

20 (1) the tax on aviation gasoline consumed is four and seven-tenths  
21 cents a gallon;

22 (2) the tax on motor fuel used in and on watercraft of all descriptions is  
23 five cents a gallon; and

24 (3) the tax on all aviation fuel other than gasoline is three and two-  
25 tenths cents a gallon [; AND]

26 (4) ~~THE TA. RATE ON MOTOR FUEL THAT IS BLENDED~~  
27 ~~WITH ALCOHOL IS THE SAME TAX RATE A GALLON AS OTHER MOTOR~~  
28 ~~FUEL; HOWEVER,~~

29 (A) IN AN AREA AND DURING THE MONTHS IN WHICH  
30 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,  
31 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY

1 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL  
2 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL  
3 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS  
4 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -  
5 (3) OF THIS SUBSECTION;

6 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,  
7 THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL CONSUMED  
8 BY A USER WITHIN THE STATE IS EIGHT CENTS A GALLON LESS  
9 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -  
10 (3) OF THIS SUBSECTION IF THE MOTOR FUEL

11 (i) IS AT LEAST 10 PERCENT ALCOHOL BY  
12 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF  
13 LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS  
14 PRODUCED IN A FACILITY THAT PROCESSES  
15 LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN  
16 THE RATE OF TAX APPLIES TO MOTOR FUEL CONSUMED BY  
17 A USER THAT CONTAINS ALCOHOL THAT WAS PRODUCED  
18 ONLY DURING THE FIRST FIVE YEARS OF THE FACILITY'S  
19 PROCESSING OF LIGNOCELLULOSE FROM WOOD; OR

20 (ii) IS AT LEAST 10 PERCENT ALCOHOL BY  
21 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF  
22 WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY  
23 THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT  
24 THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR  
25 FUEL CONSUMED BY A USER THAT CONTAINS ALCOHOL  
26 THAT WAS PRODUCED ONLY DURING THE FIRST FIVE  
27 YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM  
28 WASTE SEAFOOD].

29 \* Sec. 24. AS 43.40.010(b) is amended to read:

30 (b) There is levied a tax of eight [20] cents a gallon on all motor fuel  
31 consumed by a user except that

1 (1) the tax on aviation gasoline consumed is four and seven-tenths  
2 cents a gallon;

3 (2) the tax on motor fuel used in and on watercraft of all descriptions is  
4 five cents a gallon; [AND]

5 (3) the tax on all aviation fuel other than gasoline is three and two-  
6 tenths cents a gallon : and

7 (4) the tax rate on motor fuel that is blended with alcohol is the  
8 same tax rate a gallon as other motor fuel; however, in an area and during the  
9 months in which fuel containing alcohol is required to be sold, transferred, or  
10 used in an effort to attain air quality standards for carbon monoxide as required  
11 by federal or state law or regulation, the tax rate on motor fuel that is blended  
12 with alcohol is six cents a gallon less than the tax on other motor fuel not  
13 described in (1) - (3) of this subsection.

14 \* Sec. 25. AS 43.40.010(g) is amended to read:

15 (g) The proceeds of the revenue from the tax on all motor fuels, except as  
16 provided in (e), (f), (j), and (m) [AND (j)] of this section, shall be deposited in a  
17 special highway fuel tax account in the state general fund. The legislature may  
18 appropriate funds from it for expenditure by the Department of Transportation and  
19 Public Facilities directly or as matched with available federal-aid highway money for  
20 maintenance of highways, construction of highway projects and ferries included in the  
21 program provided for in AS 19.10.150, including approaches, appurtenances and  
22 related facilities and acquisition of rights-of-way or easements, and other highway  
23 costs including surveys, administration, and related matters. All departments of the  
24 state government authorized to spend funds collected from taxes imposed by this  
25 chapter shall perform, when feasible, all construction or reconstruction projects by  
26 contract after the projects have been advertised for competitive bids, except that, when  
27 feasible, arrangements shall be made with political subdivisions to carry out the  
28 construction or reconstruction projects. If it is not feasible for the work to be  
29 performed by state engineering forces, the commissioner of transportation and public  
30 facilities may contract on a professional basis with private engineering firms for road  
31 design, bridge design, and services in connection with surveys. If more than one

1 private engineering firm is available for the work the contracts shall be entered into on  
2 a negotiated basis.

3 \* Sec. 26. AS 43.40.010(g) is amended to read:

4 (g) The proceeds of the revenue from the tax on all motor fuels, except as  
5 provided in (e), (f), and (j) [(j) AND (m)] of this section, shall be deposited in a  
6 special highway fuel tax account in the state general fund. The legislature may  
7 appropriate funds from it for expenditure by the Department of Transportation and  
8 Public Facilities directly or as matched with available federal-aid highway money for  
9 maintenance of highways, construction of highway projects and ferries included in the  
10 program provided for in AS 19.10.150, including approaches, appurtenances and  
11 related facilities and acquisition of rights-of-way or easements, and other highway  
12 costs including surveys, administration, and related matters. All departments of the  
13 state government authorized to spend funds collected from taxes imposed by this  
14 chapter shall perform, when feasible, all construction or reconstruction projects by  
15 contract after the projects have been advertised for competitive bids, except that, when  
16 feasible, arrangements shall be made with political subdivisions to carry out the  
17 construction or reconstruction projects. If it is not feasible for the work to be  
18 performed by state engineering forces, the commissioner of transportation and public  
19 facilities may contract on a professional basis with private engineering firms for road  
20 design, bridge design, and services in connection with surveys. If more than one  
21 private engineering firm is available for the work the contracts shall be entered into on  
22 a negotiated basis.

23 \* Sec. 27. AS 43.40.010 is amended by adding a new subsection to read:

24 (m) An amount equal to the revenue obtained from six cents of the tax  
25 collected under (a) and (b) of this section, excluding the amounts collected under  
26 (a)(1) - (4) and (b)(1) - (4) of this section, shall be separately accounted for in the  
27 special highway fuel tax account under AS 43.40.010(g). The annual estimated  
28 balance of the amount separately accounted for may be appropriated by the legislature  
29 to the Department of Community and Economic Development for distribution to  
30 municipalities according to AS 29.60.110.

31 \* Sec. 28. AS 43.40.030(a) is amended to read:

1 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to  
2 operate an internal combustion engine is entitled to a refund of 18 [SIX] cents a gallon  
3 if

4 (1) the tax on the motor fuel has been paid;

5 (2) the motor fuel is not aviation fuel, or motor fuel used in or on  
6 watercraft; and

7 (3) the internal combustion engine is not used in or in conjunction with  
8 a motor vehicle licensed to be operated on public ways.

9 \* Sec. 29. AS 43.40.030(a) is amended to read:

10 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to  
11 operate an internal combustion engine is entitled to a refund of six [18] cents a gallon  
12 if

13 (1) the tax on the motor fuel has been paid;

14 (2) the motor fuel is not aviation fuel, or motor fuel used in or on  
15 watercraft; and

16 (3) the internal combustion engine is not used in or in conjunction with  
17 a motor vehicle licensed to be operated on public ways.

18 \* Sec. 30. AS 43 is amended by adding a new chapter to read:

19 **Chapter 44. Sales and Use Tax.**

20 **Article 1. Levy and Collection of the Tax.**

21 **Sec. 43.44.010. Levy of sales and use tax.** (a) There is levied a sales tax on  
22 sales and rents of tangible personal property and on sales of services.

23 (b) For the privilege of using property in this state, there is levied a use tax on  
24 the person using property that was

25 (1) manufactured by the person using the property in this state; or

26 (2) acquired outside this state as the result of a transaction that would  
27 have been subject to the sales tax had it occurred in this state.

28 (c) For the privilege of using services in this state, there is levied a use tax on  
29 the person using services.

30 (d) The rate of levy of the sales tax levied under (a) of this section and of the  
31 use taxes levied under (b) and (c) of this section is three percent of the sales price or