

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984 86/2

3208 ST HB 295 - HB 322

**KNIK ARM
BRIDGE**

★

KNIK ARM TUBE

★

**KNIK ARM
TUNNEL**

★

**KNIK ARM
CAUSEWAY**

Where? Your Choice.
When? Your Choice.
What? Your Choice.

Only if you make your
choice known.

Join the
**KNIK CROSSING
BOOSTERS**
at Central Jr. High School
Wed., March 2
7:00 p.m. - Room 67/68
Dave Ring
243-4005

Called 3/4 left message.

*TIMES
2/28/83*

Arm bridge funds asked

Turnagain, Knik Arm causeways proposed

JUNEAU (AP) — House Speaker Joe Hayes and Senate President Jay Kerttula on Friday introduced legislation to create an Alaska Toll Bridge and Causeway Authority and appropriate \$50 million for design and construction of the Knik and Turnagain Arm causeways.

"The projects have been studied for years," said Hayes, R-Anchorage. "We have the resources to go forward with these projects now which will benefit all of southcentral Alaska," he said.

"The major emphasis would be, first, on the Knik Arm Crossing with the Turnagain crossing to follow as soon as possible," Hayes said.

The legislation is HB294-295 in the House and SB211-212 in the Senate.

According to a press release from Hayes' office, the legislation aims "to develop, stimulate and advance the economic welfare of the state and to further development of public transportation systems.

The authority would be a public corporation of the state within the Department of Transportation. It would have the power

to acquire, construct, improve, operate and maintain toll bridge and causeway projects.

The authority would be empowered to collect levies on projects and to pledge them as security or hold them as reserves.

The authority, according to the legislation, also would have the power to borrow money and issue bonds and to establish capital reserve funds.

The Knik Arm Crossing, now undergoing engineering studies, would reach into the Mantanuska-Susitna Borough from Anchorage, and provide access to the Beluga coal fields, the MacKenzie agricultural reserve, and land for recreation, industrial and recreational development, the two lawmakers said.

The Turnagain Crossing would reach the northern Kenai Peninsula and would improve access to the communities of Kenai, oil and gas fields of western Kenai, ports that circle the peninsula and popular recreation areas, the sponsors said.

The measures were sent to the Finance and Transportation committees of each house.

Intertie contract ruling told

ANCHORAGE (AP) — An administrative hearing officer says the contract to provide towers for a power line linking Anchorage and Fairbanks electrical grids should be broken into two parts and awarded to two

previously unsuccessful bidders.

Julian Mason recommended Thursday that the Alaska Power Authority give part of the work to International Telephone & Telegraph and part to Com-

bustion Engineering of Houston.

Mason was appointed by the APA to review the contract after questions were raised about the apparent low bidder, Hyundai USA, Inc. He ruled Wednesday that the Korean firm made mistakes on its bid and lacked the experience required by bid specifications.

Federal cost of living pay will rise in Alaska

Knik Arm crossing study may fall with revenues

By STEVE SEPLOCHA
Daily News business editor

Declining oil revenues will mean that most of the projects on municipal priority lists won't be fully funded by the state, says Dan Casey, commissioner of the Alaska Department of Transportation and Public Facilities.

Early casualties could include environmental studies of the proposed Knik Arm crossing in Anchorage.

Casey, in an interview Monday, said legislators and municipal officials in the state must come to grips with

the economic realities that face the state and start thinking of other ways to finance needed projects.

Casey said a recent "wish list" prepared by state and municipal officials totalled \$6 billion. That, he said, illustrates the gap between what projected state needs and projected state revenues.

"The question is how do we optimize what we have left," he said. "The first thing we have to do is team up with the legislature and municipal officials so that our perceptions of the situation are the

same." He suggested that alternative financing methods, such as a gasoline tax and tolls for road projects, are under consideration. Though the administration is not prepared to recommend such alternatives immediately, Casey said they probably will play a role in projects in the future.

The bright spots in the financing picture include road projects that qualify for federal funding, Casey said. Such projects are primarily funded with federal money with the state kicking in a small per-

centage. The A-C couplet, which will make A and C Streets one-way, is fully funded and work will begin this summer, he said. Cost to the state will be \$2.3 million and the U.S. Department of Transportation will provide the remaining \$27 million.

Casey said the department has stopped a \$5 million environmental impact study on the proposed Knik Arm crossing until it is determined how much the project would cost

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Revenues

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and whether the state can afford it. He said cost estimates should be available by the end of April and his department plans to meet with legislative leaders to determine whether to go ahead with the study.

Cost alone should not be the determining factor, he said, because there are benefits that would accrue by opening the west side of Cook Inlet that may justify such a major project.

NEWS 3/28/73

Bill to fund arm crossings proposed

The Associated Press

JUNEAU — House Speaker Joe Hayes and Senate President Jay Kerttula on Friday introduced legislation to create an Alaska Toll Bridge and Causeway Authority and appropriate \$50 million for design and construction of the Knik and Turnagain Arm causeways.

"The projects have been studied for years," said Hayes, R-Anchorage. "We have the resources to go forward with these projects now which will benefit all of southcentral Alaska."

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now undergoing engineering studies, would reach into the Matanuska-Susitna Borough from Anchorage, and provide access to the Beluga coal fields, the MacKenzie agricultural reserve, and land for recreation, industrial and recreational development, the two lawmakers said.

The Turnagain Crossing would reach the northern Kenai Peninsula and would improve access to the communities of Kenai, oil and gas fields of western Kenai, ports that circle the peninsula and popular recreation areas.

Lawmaker pushes for action on Knik, Turnagain crossings

By **DETSY DRENNEMAN**
Daily News reporter

JUNE 11 — Anchorage needs Knik Arm and Turnagain Arm crossings to avoid urban congestion and air pollution, Rep. Jerry Ward, R-Anchorage, told a bipartisan gathering of Southcentral representatives late Friday.

Ward, in calling for immediate construction of the crossings, said time has run out for more studies on the best way to shorten the distances between Anchorage and the surrounding area.

Ward told the caucus that it's time to use unspent planning money to begin building the

crossings that he said would cost about \$800 million.

For the first time, Ward said, the Southcentral delegation has enough clout in the legislature to force action on the crossings. He said each member should be willing to give up some smaller projects for their district to fund the construction.

"I personally would be proud to forego all projects in my area for the sake of this one," Ward said in his written proposal.

He encouraged the delegation to act aggressively to secure at least \$300 million this year that he calculated would be less than 40

percent of the Southcentral share of the \$1.5 billion dollar capital budget for 1984.

Ward also said Commissioner of Transportation Dan Casey had agreed to freeze about \$3.5 million in unspent planning funds and was waiting for legislative direction before deciding how that money would be spent.

Ward said Casey is willing to renegotiate the planning contract and use the money for construction.

Casey could not be reached Friday for comment.

Ward's proposal includes constructing:

- Causeways from Isle to Cape across Tur-

nagain Arm and from Eagle Bay to Goose Bay across Kulk Arm;

- Two freshwater lakes above the causeway, one of which, the 100-square-mile Kulk lake, could eliminate the need for the municipal's Eklutna water project;

- Fish ladders for migrating salmon in stalled in spillways from the lake and spanned by conventional bridges; and

- Toll booths that would charge less than the currently costs to drive around each arm, but would help pay off the construction costs.

Ward said suitable bases for causeways are already in place and additional rock and sand is readily available.

Although bridges have been included in most past proposals for the crossings, Ward said it is cheaper to run railroad tracks over causeways. The tracks also would last longer and are better able to withstand earthquakes, he said.

The Anchorage freshman said both projects should be paid for now with cash, but he said he will go along with House Speaker Joe Hayes' preference for using bonds to pay off the balance of the project costs.

Ward said he has the support of 60 percent of the caucus. He wasn't sure about the Senate, but said President Jay Kerttula, D-Palmer, favors the idea.

The Southcentral caucus will debate Ward's proposal at a second meeting this afternoon.

Kenai Peninsula Clarion Feb. 14, 83

Turnagain Arm causeway idea taken up in House

An idea spawned by Rep. Milo Fritz, R-Anchorage, 17 years ago and which has been talked about a number of times since has resurfaced in the state Legislature: A Turnagain Arm causeway.

Freshman representative Jerry Ward, R-Anchorage, informed a bipartisan meeting of Southcentral Alaska representatives Saturday of his intentions to introduce legislation for the construction of crossings of Turnagain and Knik Arms.

Ward said Anchorage needs the crossings to reduce congestion and pollution in the Anchorage bowl, according to a story in the An-

chorage Daily News. Fritz, who introduced legislation for studying the crossings in 1966 and 1972, endorses Ward's proposal.

"Both are feasible and extremely useful," said Fritz Sunday. Construction of both crossings is estimated at \$800 million.

Ward said he would prefer the state build the crossings with cash, but Fritz said it would be better if voters approved the sale of revenue bonds to be paid off with tolls charged at the crossings.

In the Daily News story, Ward and Commissioner of Transportation Dan Casey had agreed to freeze \$3.5 million in unspent planning funds until the Legislature

directed how the money should be spent.

"Starting them simultaneously makes sense," said Fritz. In that way, construction equipment would not have to be moved very far from project to project.

Both projects would consist of extending the land on both sides of the arms with elevated causeways but leaving open areas to be spanned with bridges to allow for fish migration.

Fritz said the Turnagain crossing would be from the Potter area on the Anchorage side and would parallel the gas pipeline across the Kenai National Wildlife Refuge. Such a route would cut the drive to

Anchorage by about 75 miles.

"We would preserve the moose range, of course," said Fritz. "There wouldn't be a bedroom community sprawled out between the peninsula and Anchorage because it would cross federal lands."

He said the Knik Arm crossing would allow the Anchorage population "to spill over into the Ft. MacKenzie area."

Fritz said he expects there would be opposition from Anchorage realtors because "it wouldn't allow the value of property to increase meteorically."

He also said there would be opposition from people in the Kenai-

Soldotna area who wouldn't like to see it because it could encourage further industrial development.

"It would be very practical for the peninsula," he said. "The development of a causeway would help us if we want to see a gas pipeline to Nikiski."

He said supplies could be transported more easily to Nikiski with the new route "rather than that goat trail we have now with snow slides in the winter, mud slides in the summer and construction going on all the time."

The Alaska Railroad could be

...State

Continued from Page 1

easily extended to the west side of the peninsula along the Turnagain Arm crossing, he said, as well as additional pipelines and a coal slurry line from the Deluga coal field.

"This is something I've been dreaming about for a long time," said Fritz. "It wasn't cockeyed then and it isn't now."

Studies would indicate that causeways across both Turnagain Arm from Isle to Cape and Knik Arm from Eagle Bay to Goose Bay can be constructed to serve both highway and railroad traffic.

The continued growth of the Mat-Su, Anchorage, Kenai area as the economic hub of Alaska makes the crossings not only desirable but necessary.

The oil, gas, and coal fields and related petro-chemical industries would be drawn together to form a much stronger financial and supply center for Alaska.

The growing population in this area and the increased needs and desire for recreational areas would be best served by causeways which would create an 85 square mile lake above the Turnagain causeway and a 100 square mile lake above the Knik causeway.

Also, the dollar and time savings to Alaskans by cutting 50 miles off a trip to the Mat-Su Valley and over 100 miles off a trip to Kenai for over 10,000 vehicles per day cannot be over emphasized.

For the safety and health of future generations of Alaskans, the Anchorage municipal area must be allowed to expand to the west side of Knik Arm. Pollution and over-crowding cannot be compacted much beyond the present point.

All reports indicate that railroad crossings can be added to the causeways at a fraction of the cost of adding them to bridges. Causeways provide greater stability and safety against earthquakes than a bridge.

The studies indicate that suitable bases are in place for causeways and that rock and sand are readily available. Through the use of barges, end dumps, and cables, these materials could be put in place and a spillway would allow for the over flow of fresh water from the man-made lakes above the causeways. The spillways would be spanned by conventional steel and concrete bridges with fish ladders installed to permit migration of salmon. This type of construction has been carried out in Holland, Canada, Russia, New Zealand, Australia, France and Egypt in the past 50 years. With the advent of larger and more powerful equipment and the experience of Alaskan construction companies gained by building the north slope haul road, we should be able to complete the causeways in 3 years at a cost of 6 to 800 million.

From discussing this with the Department of Transportation I understand that Turnkey projects have been issued in the past to private enterprise in which the concept, architectural design, construction and completion of projects such as this are the total responsibility of the contractor, who is paid only upon successful completion of the project. I believe that there are construction companies who would be willing to build these causeways at a breakeven point for the recognition and enhanced worldwide reputation of successfully building such a showpiece project.

We could finance the project by funding 1/3 or up to 300 million with less than 40% of our share of the Capital Improvement Fund of 1.5 billion of which 53%

or 795 million rightfully belongs to the people of the Mat-Su, Anchorage, and Kenai boroughs. This coalition represents those people and I suggest that we should not agree to fund any projects in our separate districts unless agreed upon by a majority of this coalition. Object being to keep the money for this project. I personally would be proud to forego all projects in my area for the sake of this one. The balance could be funded by General Obligation Bonds. These bonds could be paid off in 20-25 years by tolls charges for the use of the causeway which would amount to less than half the cost of driving around the Knik and Turnagain Arms.

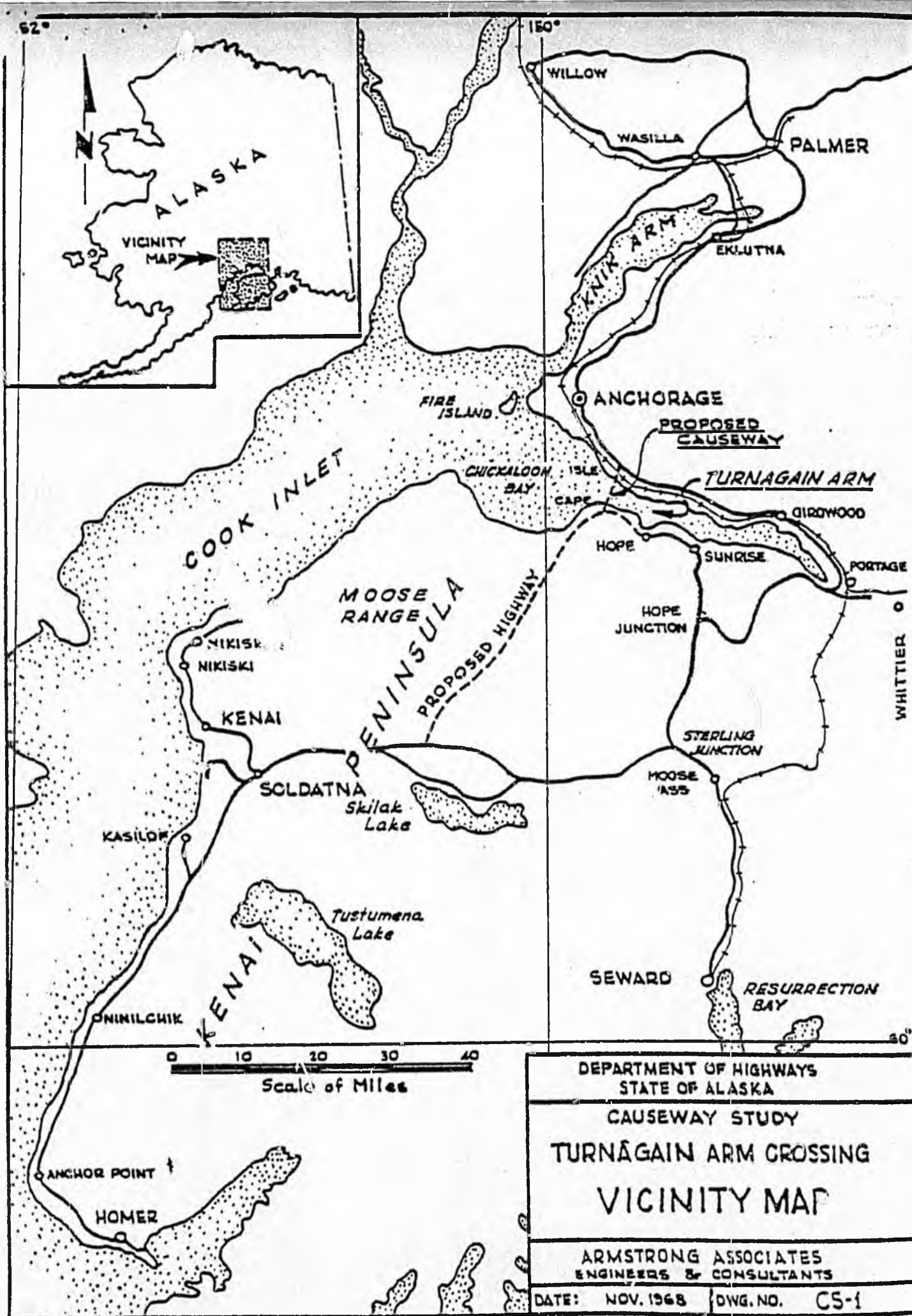


Fig. No. 1—Vicinity map of Cook Inlet area showing Turnagain Arm and proposed Causeway site.

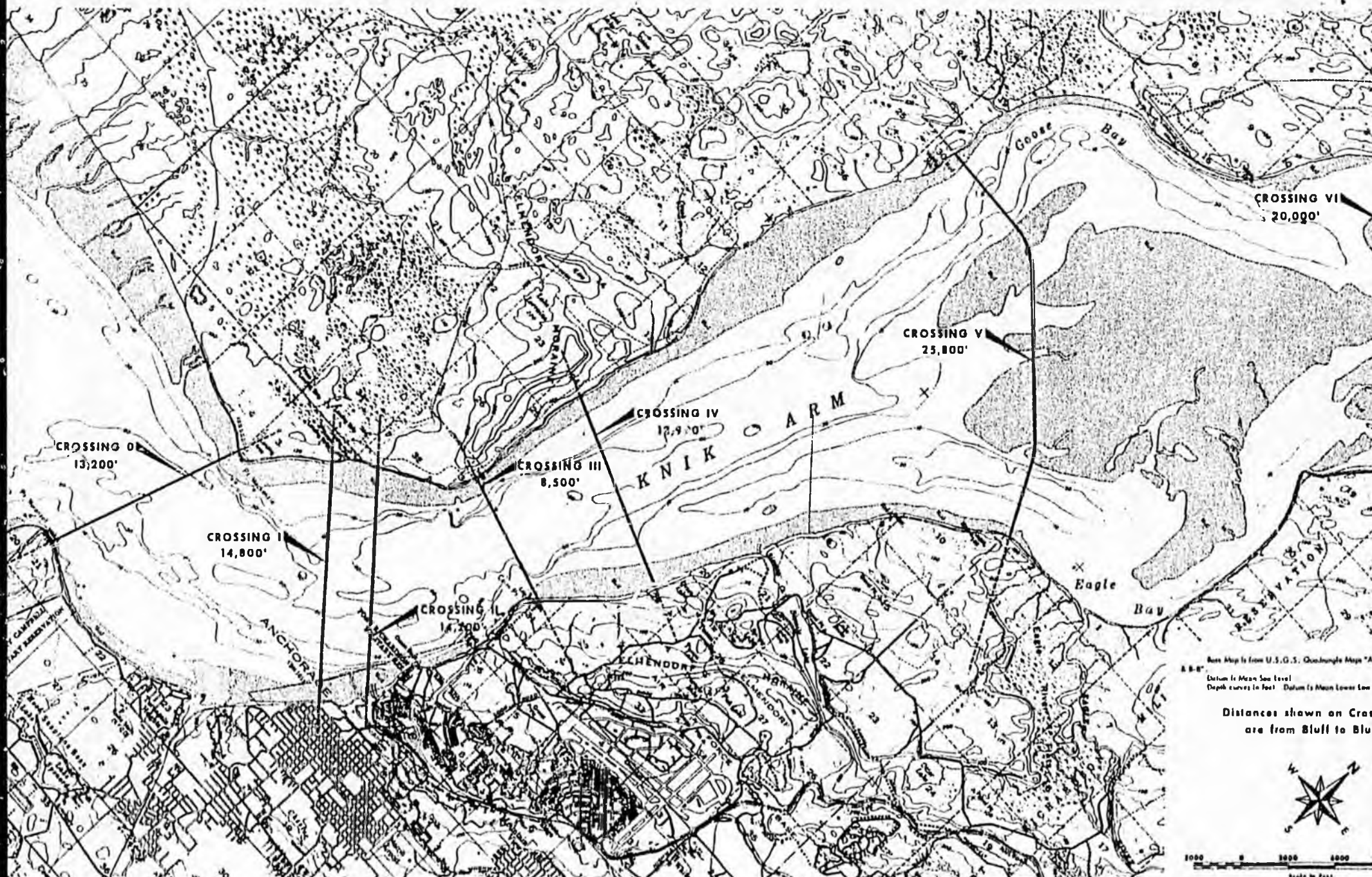


Figure II-1



Alaska State Legislature House of Representatives

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APR 18 1983

REPRESENTATIVE JERRY WARD
DISTRICT 13

MEMBER FINANCE COMMITTEE
CHAIRMAN OF SUBCOMMITTEE ON
COMMERCE & ECONOMIC DEVELOPMENT
CHAIRMAN OF SUBCOMMITTEE ON LABOR
MEMBER OF SUBCOMMITTEE ON STATE LOANS

MEMORANDUM

DATE: April 18, 1983
TO: All Legislators
FROM: Representative Jerry Ward *JW*
SUBJ: Knik Arm Teleconference

At the April 13 teleconference attended by Reps. Tischler, Larson and Ward and by Neil Phelps-Munson from Rep. Hayes' office, 35 people in Anchorage attended, of whom 11 testified, all in favor of the concept. I attach for your information a transcript of that teleconference.

Attachment

KNIK AND TURNAGAIN ARM CROSSING TELECONFERENCE

April 13, 1983

9:00 p.m.

Legislators Present:

Representative Jerry Ward
Representative Mae Tischer
Representative Ron Larson

Teleconference Agenda

The purpose of this teleconference was to discuss the proposed Knik and Turnagain Arm Crossings. HB 294 and HB 295.

Action Narrative

The Knik and Turnagain Arm Crossing Teleconference was called to order at 9:00 p.m. and Representative Ward introduced Representatives Mae Tischer and Ron Larson. The following is a verbatim transcript. (Tape begins here.)

Number 001

Representative Ward: I'm Representative Jerry Ward, I'm from Anchorage also here is Representative Mae Tischer from Spenard, AK and also Representative Ron Larson and we will be taking testimony concerning HB 294 and also 295 which are companion bills and the purpose of these bills are to establish a Alaska Toll Bridge and Causeway Authority for the purpose of building the Knik Arm Crossing. And at this time if the first person who would like to give testimony and ask questions, please step forward. The person I have on my list is Harold Galliett.

Number 027

Harold Galliett: My name is Harold Galliett, I live at 1616 Garden Street in Anchorage and I'd like to state that I favor the construction of the Knik Arm Crossing as far down Knik Arm as is feasible from an economic standpoint, because of the need to simplify traffic to and from Fairbanks and particularly to and from the large areas that can be developed in the Matanuska Valley. The present road and railroad, for that matter, pass along the base of the mountains and the area rapidly pinches out to the point where the amount of developable land is greatly limited. Whereas immediately across the inlet are thousands of acres that would serve for the expansion of Anchorage. It is not a bit too early to think about expanding the area in which Anchorage and its neighbors

can grow. We're becoming a sizable city that doesn't seem to be any signs of a decrease in our growth. Thank you.

Number 054

Representative Waid: Harold, thank you for your testimony, we will make that part of the testimony for tonight and it certainly was a pleasure hearing from you. Would the next person that would like to testify please come forward. I have Dave Ring down here.

Number 069

Dave Ring: This is Dave Ring in Anchorage and I appreciate the opportunity to talk to you folks on the other end about the Knik Arm Bridge. My particular interest has been for some time somewhat the same to get a crossing and I think that a couple of points that have been overlooked in plans that I've had access to and that's the development in Western Alaska. Most of the plans I've looked at have pretty adequately covered the need and the benefit for access to Fairbanks and points in between Anchorage and Fairbanks for the shorter distance that the studies I've had access to they don't emphasize Western Alaska, some don't even mention it. I think I'd like to suggest that we have a realistic possibility of coal development at Beluga that would be extremely enhanced with an access from Anchorage and that in itself might generate enough revenue to pay for a bridge by itself. Second way that this thing might advertise itself, as many people have discussed is a toll bridge. A third way that it might pay for itself and that's the sale of land within a half hours radius from Anchorage. In other words, a half hours driving time. Most of that land is under State ownership and some belongs to the University. Third way that I haven't heard anyone else expound on and that's the idea that gravel in the Anchorage area is becoming a pretty expensive commodity. The pits in the Sand Lake area have been closed, the only thing that's happening there now is a little moonlight and bootleg operation, extended permits perhaps, but the gravel that's in the Elmendorf Marain, which has the nature of some four or five thousand acres to it and it's a pretty high quality gravel according to my testing, some of that would almost meet military specs without further processing. But be that as it may, the sand and gravel in that area with the markets that

Anchorage presents in the next 30 years would be one means and by itself would very likely pay for any structure. That's about four ways to pay for a bridge, I don't know if we need to go a whole lot further than that, I'm sure that there are more ways but we have quite a few possibilities of where to put a crossing and some of them as much as 15 miles north from Anchorage up the Knik Arm. I think that crossings further up would be of less value to Western Alaska, they might have the same value in access to Fairbanks, Talkeetna and points along the existing route, but I think to give the best benefit to Western Alaska it must be as close to Anchorage as possible and if I had to suggest a location it would be in the immediate vicinity of the city docks, say a couple thousand feet north of the city docks but south of Point Karen, that would also keep it outside of the radar range for the military. I want to thank you for your time and your consideration and this is Dave Ring.

Number 158

Representative Larson: Yes, hi Dave, this is Representative Larson and I just wanted to mention one or two little things in relation to your comments. I think you are correct in your site location, the only concern that I have and I think that probably you and I have discussed this before that as we talk about the Knik Arm Crossing we also have to talk about a reason to make it economically feasible and some of the major reasons would be a port development at the Point McKensie area not to compete with the Anchorage port but to facilitate it. One being of course an importing area and the other a potential exporting area and therefore we would have to keep the bridge far enough north so that it would not interfere with the various shipping lanes that would be necessary to utilize both ports at Point McKensie and Anchorage. Do you have any comments on that.

Number 177

Dave Ring: Yes, I have. I've had access the studies conducted by the Mat-Su Borough groups on a location for a port site at Point McKensie. I've also been involved in hydrology work in Knik Arm for roughly six years, I've been involved occasionally in type flow and selenity content of the waters there, I've also been involved in soil sampling of the bottom in Knik Arm and based

on my study of the, or my exposure to these studies, I've haven't really done any formal study of my own, but I've been exposed to these studies as conducted by other people, I think that the choice of port locations has I know them to be by the Mat-Su Borough group is really a little to north for convenient landing of vessels in the winter months in the extreme ice flow conditions that develop there, plus that location has the possibility of continual necessity, like the port of Anchorage for dredging. I think a more southern point for a port site on the far side of the inlet could be located where no dredging would be necessary its more or less a self scouring area of 60 feet drop minus tide water. Over.

Number 205

Representative Larson: Thank you for your comments.

Number 207

Representative Ward: Yes, and the next person that I have on my list, this is Representative Ward, is Kristie Keele.

Number 212

Kristie Keele: This is Kristie Keele. I have a question. A lot has been said about the economic feasibility and affects of a crossing and what I'd like to know something about some of the aesthetic value as far as the pollution problems that any growing community will have and at the rate that Anchorage is growing and what this might do to alleviate or at least help those problems.

Number 221

Representative Ward: Yes, this is Representative Ward and before I start, I'd like to make notice that Neil Phelps-Munson, the Professional Assistant to Speaker Joe Hayes is here and he is also taking testimony with us at this time. But one of the things I think that people of Anchorage are acutely aware of is that we have pollution that has been growing at a alarming amount. There is a report that was just done and issued to the Anchorage Chamber of Commerce approximately six weeks ago, that report stated that there was going to be if the pollution, if an negotiated agreement between the Federal Government and the State and the City of Anchorage as far as the pollution level was not reached that there could be the possibly of a Federal ban on construction in the Anchorage area. This means that there would

be no more construction allowed because of the emissions of carbon monoxide. What we have is a situation where you have 200 people crammed into a little area. Its also been just computed out by the EPA on the State level that in 33 years what we're going to have with the growth of population if it continues at the same level in Anchorage, Alaska in 33 years from today anybody in that town will only live for approximately 30 minutes and then they will die. This sounds a little harsh but if you just look out of your windows tomorrow morning on a nice clear beautiful Alaska day you'll see this kind of a bluish blackish haze and this will continue to be there and I think that this is one of the things that needs to be addressed. Everybody is crowded in their neighborhoods, they're crowed at the 4 and 5 o'clock traffic jam. We can plan ourselves to death but until there is a release valve that lets the people go out of Anchorage and live outside of Anchorage, all we can do is stack up on top of each other and this is one of the major concerns because its the feeling of the body down here and the members I've talked to its time to plan farther ahead that just one budget to the next budget. We want to plan for not only our future but our childrens future and this seems like to reasonable way of doing it.

Number 261

Representative Larson: Yes, if I can just add a comment too. Southcentral Alaska is really the fastest growing area and the fastest growing state in the United States. One of the major benefits that I would see for the Knik Arm Crossing is that this would help us to have planned growth which would be very necessary and up realize that when you're in downtown Anchorage, you're less than 3 miles away from the Point McKensie area which basically at this time is uninhabited. We know that the potentials are there because with the Dahl-Shell Petrochemical Industry study we had to do samples for waste disposal, water supply, power potential and so forth. In other words, its just an area within 3 miles of downtown Anchorage thats really itching. And one of the methods of paying that we haven't really mentioned yet but I'm going to suggest to Representative Ward is something that we've used in many occasions in relation to capital

relocation. Once you establish the bridge there across the Knik Arm you have tremendous value added to the land prices on the other side. Most of those lands at this time are owned by the State of Alaska, and with the increased value of those lands, it could go a very long way in helping to offset the cost of the crossing itself. So those are just a couple of philosophical thoughts I had, but I do think they are worth bringing out at this time.

Number 290

Kristie Keele: Well, I would just like to say I am in favor of it and one of the reasons is expanded growth out of the Anchorage area and I do appreciate your comments. Thank you.

Number 293

Representative Ward: Yes, and the next person we have to testify is Jorge Hernandez.

Number 296

Jorge Hernandez: My name is Jorge Hernandez, I'm from Anchorage and one of the things that I would like to know is what is the approximate cost estimations at this point for the Knik Arm Crossing and what is approximately the growing cost of it or the percentage, 10, 15 or 20% eventually its going to have to built (undes.).

Number 308

Neil Phelps-Munson: This is Neil Phelps-Munson from the Speaker's office Mr. Hernandez. At the present time we don't have any current cost figures however, they are being produced by the Department of Transportation. You might recall a couple of years ago, Mr. Hayes was successful in getting 5½ million dollars put in the budget for preliminary work on the Knik Arm project and the Department is presently using part of that money for the purpose of preparing some cost estimates. We expect them very shortly. Now there doubtless are going to be higher prices than any of the previous estimates that have been done. We are encouraged to believe, however, that improvements in technology for this kind of work that have occurred in recent years will tend to hold down the cost more that the escalation that might normally be expected over estimates we've had in previous years. We do expect to have those figures in a fairly short period of time. I don't know precisely what we mean by short but hopefully before this summer.

Number 324

Jorge Hernandez: Another thing is what will be the estimated mileage saved by building the bridge or the approximate amount of time saved in driving distances.

Number 327

Neil Phelps-Munson: If I understand, first you are asking about the length of the crossing. There are, in previous studies that have been done, the most exhaustive study which was done slightly more than 10 years ago if I recall correctly, the block to block distance of the various crossings ranged from 8,500 feet in the shortest case to 25,800 in the longest case. The most likely probability, the one that seems most attractive for all of the reasons involved of these six studies is 12,900 feet long.

Number 339

Jorge Hernandez: I see. Thank you for your time.

Number 342

Representative Ward: Yes, Inez, this is Representative Jerry Ward would you put the next person on that would like to give testimony or ask questions.

Number 346

Ron Windeler: I'm Ron Windeler, I've lived in Alaska for 33 years. I'm very much in favor of the Knik Arm Crossing. My first question is what is the status of the Department of Transportation study that you just mentioned. I had heard recently that the Governor had cut off funding for that or in some way was slowing down that study.

Number 352

Neil Phelps-Munson: Mr. Windeler, what the Governor did instead of using the money to go ahead with the Environmental Impact Statement was make a decision with the concurrence of the leadership of the legislature to go ahead with a portion of that money for estimate work to determine if the project was fiscally feasible before spending the rather larger amount of money to go ahead with the EIS, that is the Environmental Impact Statement. And as I say, preliminary indications on that are that the project will be financially feasible, we don't have definite figures. Therefore, the EIS work will proceed. Now some of that has already been done, some of it is recoverable from previous years and the like. But that would be the next step and no, we don't have any indication that the

Administration is deliberately slowed the project, they have rather changed the direction for that short period of time for the purpose of being sure that we could confidently go ahead with it.

Number 367

Ron Windeler: So we actually just changed the order in which he was spending the money that was appropriated. Okay, my next question is what are the chances of passage of the new bills, I believe its Senate Bill 211 and 212, one of which establishes some kind of a authority to run a bridge and the other one appropriates a really substantial chunk of money to begin construction.

Number 374

Representative Ward: Yes, this is Representative Jerry Ward and it looks like, as they go through the committee process that it should be the Senate Bills, I don't believe, I can't really speak for the other body but I've talked to President Karttula and he seems to feel very confident that it would go through. We have had a House Concurrent Resolution introduced by the bush delegation on the Senate side endorsing the concept of the Knik Arm Crossing and encouraging it. On the House side, we do have 27 signatures which it takes 21 to pass so we do have the support on the House side but we're still not rushing through the procedure because we want to make sure that the Toll Bridge Authority is set up properly so that has to go through the Committee process but we do have every intention of moving the bills through both bodies and to the desk of the Governor this session.

Number 388

Ron Windeler: Last of all, I have a suggestion, we talked a little bit earlier about paying for this bridge by the sale of State land across the inlet and somebody mentioned that land would increase in value tremendously if the bridge were completed. Unfortunately, it seems like its necessary to have money in advance to pay for the bridge rather that build it first and then realize its value and I was wondering if it would be possible for the State to dispose of some of the State land in the McKensie area in advance of the actual construction but after having announcei an exact path and a timetable so that many people would be aware of the potential increased value and would be

willing to bid a great amount of money for land over there, nearly as great as they would be willing to pay at a later date when the bridge was complete. That sort of an approach might be able to raise many millions of dollars in advance to offset the cost of constructing the bridge.

Number 405

Representative Ward: Yes, this is Representative Ward. I have written in your comment and I certainly will put this into the consideration. One of the things that we have done since the Speaker and the President have filed a joint bill as the leadership of the House and the Senate, there have been several proposals come forward which I found, if I can just run those by you very quickly, the land one that Representative Larson and yourself have just brought up is an intriguing idea, the coal and gravel has been brought up several times, not to leave out the fact that it is a toll bridge so just paying from actual passenger traffic can be done in about 10 years, but besides that we also have got phone calls from the electrical utilities, Chugach Electric and Matanuska Electric both are going to be writing letters of support so they can take their underground cables and put those on the bridges. We understand that there is a figure floating around for replacement of 3 of the cables of some \$100 million which would go for offsetting the cost of the bridge. We also have had a proposal that has been introduced, at least for discussion purposes by Representative Cowdery for transporting water across the way for the Anchorage area which will be in need of water in about 3-3½ years if the population continues at its present rate. Everything I see says that this bridge should have been built about 10 years ago and the land idea that you have in very intriguing and I think that if my numbers worked in my head as I just added up the amount of State land available, I think we could build about 3 of these.

Number 437

Ron Windeler: Thank you very much, that's all I have to say.

Number 440

Ken Wardwell: Yes, my name is Ken Wardwell and I live at 1444 Hillcrest Drive, Anchorage, and I've lived here since about '66 and I'm also in favor of the Knik Arm

Crossing and I'd like to start with a question. What negative things have you encountered that would hold up the completion or even the beginning of building the bridge?

Number 446

Representative Ward: Yes, this is Representative Ward and I sure hate to be the one to give bad tidings, but the negative things seems to be at this point is I think people when we have been able to get response, it seems to be one way or the other, we should build it or we should not build this bridge because it hurts a program which is they have a feeling that there is a competition for money and that seems to be the overriding thing at this point. And there is a competition for money and that's why we are going on a usury type of basis and I think that this body, and the leadership is decided that if a project cannot stand upon its own, then we really don't want to get behind it and that's why we have gone on the Toll Bridge Authority and we're trying to find creative forms of financing and creative forms to pay for the project so that we can go forward, but the only thing that we have found, or that I have found on a negative note is the fact that people have felt that State government may not be giving out quite as many dollars and they did not want another, did not want any projects if it was going to affect their own personal project that they might have an interest in, so there has been a lot of comparing type of things. I'll turn it over to the other Representatives for their comments on negative.

Number 465

Representative Larson: Yes, this is Representative Larson. I guess I'm going to speak frankly here that the biggest negative isn't that I have seen over the years is been that we've had too many politicians and not enough statesmen. For example, in relation to the Point McKensie road, everyone always says to me why build a road there's nothing at Point McKensie. I say when you build a road there's going to be something at Point McKensie. When you build the bridge there's going to be a lot more.

Number 474

Ken Wardwell: Okay, I guess a comment I'd like to make is there's been some recent proposals to bring natural gas from the north slope to, well there's been several

proposals, one of them is to bring it to Kenai. Has anybody considered bringing it to the Point which would also have a deep water port and it would also be able to service potential users of the population of Southcentral Alaska?

Number 481

Neil Phelps-Munson: Yeah, Ken, this is Neil, good to see you, I haven't talked to you in a long time. The biggest negative as I think two members have expressed here is peoples lack of faith in the capability of the State to tackle a project of this magnitude and serve other needs of so many people or other wishes and needs so many people have at the present time. As far as gas is concerned, Jerry has just added that to his list of ways in which the crossing can be paid for. I've been wrestling with this thing myself for about a dozen years having worked in the Department of Highway some years ago. I've heard it said that if everyone studying the crossing had taken a rock with him, we'd have one by now. That may be a slight exaggeration, but probably not far from the truth. I think the introduction of this legislation is probably most important single step that has been taken in recent years. I think its more important than the \$5½ million that the Speaker managed to get into the budget 2 years ago, simply because it will test the public confidence and I think reassure the public confidence that this thing can be done. And of course people who are heartily in favor of the project like those of you there in the room can help a great deal too.

Number 496

Ken Wardwell: Yeah, it seems interesting that in public testimony like this and for several years it seems like everything that comes out seems to positive in favor of it to include newspaper articles and through those years we always see steady groups and little bits of money being put out in some kind of serious or semi-serious study one or another. And then, you know, in a place like LaTouche, where all public testimony comes out negative to building a facility there for boats, and you know, thats trying to go through, trying to put it through. I sell real estate here, have been a broker for several years and we're rapidly running out of property to service the needs of the community and I

think its probable that the bridge will have to be built, or a means to get to the other side to open up that land for the needs of the population of Southcentral Alaska. I think that should be a serious consideration rather than at the last moment say okay, and to just throw money at it, we ought to be prepared with good serious studies and good serious cost amounts and timetables to be able to do that.

Number 517.

Representative Mae Tischer: This is Representative Mae Tischer and I've got to throw my two cents worth in here. While you were talking, something just kind of flashed on me and I'd like to share a kind of correlation, a comparison. It has to do with when my kids and I were building our homestead in the Susitna Valley area and we were planning on building x number of square feet and so forth and so on and buying our logs instead of peeling them ourselves. One of the things that was told me, because neither I or my children ever really built a whole house by ourselves, which we ended up doing. What happened was the fellow that was telling me this gave me good advice, he said, "you know, the actual structure won't cost you that much but", he said "you can nickel and dime yourself right down into debt if you don't look out when you start on the interior of your home". And I compare that with what I see as a freshman here in the legislature in looking back in the previous budgets where the State has really nicked and dined themselves to death and placed themselves in a real funny position where they have funded little bits and pieces here and there and never really come up with anything really constructive as far as a viable long-range plan for development of the State. Instead, it kind of chips away the bulk of the money and pretty soon you're down to not enough to fund something that is really very important for our development and our progress to prepare for the massive amount of things the State can do for ourselves, in other words, if we build a road as Representative Larson says, there's going to be some productivity coming out of it, its not just for traffic running back and forth for recreation, there's resources to be developed, there's lands to be claimed and there are new horizons out there. This is the only State

in the union, yet, that offers that sort of opportunity and its a terrible, terrible problem in trying to convince people that once you put something out there that will give us a corridor to advance your economic base and broaden our economic base we will back a saddle in square one again like we were six to eight years ago. And this I see as probably the best thing that will happen out of the Knik Arm Crossing outside of saving the Anchorage area from pollution and such things as that, diminish our crime rate and all the things that go with overcrowding. Thank you.

Number 550

Ken Wardwell: Yes, thank you very much.

Number 557

Alfred Mangus: My name is Alfred Mangus and I live at 4805 Mills Drive. I've lived in Anchorage since 1962. I'm an unemployed civil engineer. I'm in favor of the project, certain it will have a great impact on the community, such as many famous bridges have. Brooklyn bridge will be 100 years old here in another month, the Golden Gate Bridge and the Oakland Bay Bridge were both built during the great American depression. They are both toll bridges. The Golden Gate Bridge has been paid off by the Toll Bridge Authority. I feel that if the State doesn't have the capital to directly fund the bridge the Toll Bridge Authority option should be looked at. It would be a means of funding the bridge, I think, and giving them a possibility of raising capital from outside sources. I think that the bridge will come about eventually, I hope that it will have a positive impact on the community and I'd just like to say again that I'm in favor of it.

Number 578

Representative Ward: Well, Alfred, thank you very much for your testimony. This is your Representative Jerry Ward and its sure a pleasure to hear from you. We do have the means to finance it and have it on the form of usury, whether it be people that own coal, gravel, land, gas or water or else the people that actually drive across it, we do have the opportunity, to finance the bridge at this time and that's the way we are proceeding and we certainly appreciate your comments. Something that I'd like to make note of right now for any of you in the room and I sure want the next person to testify, but if you

could possibly, there's a phone number that's with the person that's the monitor there at the thing at your end of it and there's a system called public opinion messages. You'll be able to get that phone number and just pick up your telephone, call that phone number and give it to all legislators and state your opinions and this will move more mountains, I've seen it happen on three different issues down here and 100 of these public opinion messages come in then the project goes. So I hope everybody in the room understands clearly what I'm saying. This is the way the public speaks, there is no charge to you, it is picked by the State, it is a telegram that is paid for through your tax dollars, although we don't pay taxes right now unless we're a corporation, but it's paid for by the State, and it is a public opinion message up to 50 words and I would encourage everybody there to please send those to all the Representatives and Senators so that we can compile those into the public input and I'll take the next speaker at this time and then I'll look around for the phone number in case it isn't there.

Number 608:

Jack Spake: My name is Jack Spake and I feel sure that all you people down there on this board know me quite well. I started out working on this Knik study when I was a young man and I've reached the age, soon to be 73 this April and I see that we're not very much farther away from the first stage that we had initiated in 1972. This was quite a comprehensive study and I was also worked on the Chamber of Commerce Highways Board getting the \$5 million to continue this study. I think that the study of '72 would just merely have to be updated a little bit and I feel that we studied this thing to death. We have had all kinds of proposals. This first study we had gave you a location, gave you a design that was practical but needs updating a little bit but it just don't seem to be going forward like it should. I think we should make every effort to get the Knik Crossing going, if we don't it going to price us right out of the ball park. Had an estimate of \$125 million in '72, I think this wholly approaching estimate and the estimate of time given by this consultant that's being employed now, talking waggles about 1990-1992 before the thing could even

be under construction. You take the inflation rate at the present rate it is, maybe 10% you're talking about a billion dollars or more for the time of '88, '89 and '90, I think its going to price us right out of the ball park if we don't get on the ball and get this thing going. I think that it could be done by this bridge commission you're talking about and I think it could expedite the project as much as 3 or 4 years if the proper people were put on it. And another thing I think is that your legislators there have should assist the Mat-Su Borough, Mr. Larson especially has been a strong advocate of this project for many years getting the \$7 or 8 million he needs to complete the road out to Point McKensie, maybe this will stir a little more action on. But this is something it seems to me I spend all my 7 or 8 years when I was Division Engineer for the Department of Highways from '70 to '77 on this project and I just got myself so interested again I come out of the woods and I'm back working on it again and I just feel that every effort should be made by you legislators. Most of the legislators, especially the new ones, on their campaigns promises said more roads, Knik Crossing, Susitna Dam and so forth through the legislature I haven't seen anything in the papers or anything where any effort has made to get some supplemental funding for these projects and I think that it would behoove you and the rest of your legislators to get something going. I feel that you may have a couple of questions, I'll stop now because when I get started on highways, its pretty hard to shut me up.

Number 642

Representative Larson: Yes, this is Representative Larson and I'd like to thank you for your kind words but I'd also like to give due where due is given, Representative Ward has been very, very active on this and is doing a very fine job.

Number 645

Representative Tischer: Amen to that and amen to your comments. This is Mae Tischer speaking. I can't tell you how much I enjoyed listening to what you said about your involvement in the studying of Susitna or the Knik Arm Crossing. I remember when I first came up to Alaska 23 years ago, that's one of the first things I heard talk about and that

was 23 years ago and I agree with you that it has been studied to death and I believe that right now we've got stacks and stacks of actually parked right in front of us here and I agree that its time to move forward. One of the things I think that I recognize at least this year which is different from the last, oh say, 8 years is that we have a new administration and a Governor who is for development and is for this project, its one of his priorities at least to see to it that it is looked into to the point where it can be done or not done. I think he is taking steps to do that and I think he is right and I think the legislature as a whole especially on the House side with 27 sponsors of HB 294 and accompanying bill gives you an indication of how much support it really does have. When people down here put their name on a bill as a sponsor they're committed to that project or to that bill, provided the doggone bill doesn't get changed to a divert or the intent of the legislation remains the same. But anyway, I see this, I'm very excited about the probability of this being accomplished within a very short period of time. The fact that the State has had money in the past 4 years should have made this thing go a long time ago, and we've got a group of new legislators this year that really aren't afraid to step forward and take a stand on something like this and I for one did campaign on the Knik Arm Crossing and the Susitna Dam and roads and so forth and as far as I can see, things are moving along as well as can be expected at this point in time and I think that by the end of the session you'll see some real good action.

Number 673

Jack Spake: We are going through a new era where people are somewhat in favor of highway construction and projects of this size, where back in the 70's the favorite expression that they were given me at all the public hearings that I participated in were quite a few from the first one where we had a 1,000 people and 996 of them were against anything that we were proposing back in the 70's. I think this attitude is changing now toward these types of projects. I think everybody that I've talked to and I think that they are all in favor of this project and I think it would do a great benefit to the Beluga expansion, the coal, the lumber everything over there

and also get some of this traffic congestion out of Anchorage. It won't be too long before you're going to be walking on top of cars to and from work instead of driving them. Its just getting to be ridiculous, we're not doing any advance planning for large construction projects in Anchorage. We're all still working on a program that was conceived back from the (undes.) back in '74, '75 and '76 and they're just merely increasing their present widening the streets and things like this, some interchanges but we've got to come up with some large plans of highways above and highways below or we're certainly going to be in a position where we are going to have to eliminate a few automobiles. I have noticed since 1974 and 75 we had 94% one car occupancy and we still got 94 and maybe 95% one car occupancies and the administration of the city and the state have both tried to get more than one person in a car, and I don't know just what to do. Buses are not going to be the complete answer, we're going to have a system, a monorail, maybe go back to electric cars, something that people really call me a dreamer, but you're going dream up something for Anchorage, you've got to help us. Thank you very much for listening to me, you'll probably here more from me now that I'm back in the saddle again.

Number 695

Representative Larson: You're going to have to listen to one of the things that I've been advocating as a possibility for years, but before I mention that, I do want to mention one more positive step here, and maybe it sounds strange coming from a member of the minority, but I think a positive step here is that the bills that are before us are sponsored by majority, excuse me, the Speaker of the House, Joe Hayes and its also supported, of course, on the Senate side by the President Jay Kerttula, so it does lead me to think that everyones serious down here about these bills this year. But I'll tell you about the monorail some other time.

Number 704

Representative Ward: Thank you very much, this is Representative Jerry Ward and for that phone number for you that were waiting there with the pencils in hand, its 278-3668 and all you need to do is call that number and you can sen' a 50 word telegram to all

legislators to legislative affairs and that's at no cost to yourself, that is picked up by the State and they are very, very influential to the decision process down here. Its 278-3668 and we would be glad to take the next person that would like to testify at this time.

Number 711

Pam Schlegel: Hi, my name is Pam Schlegel and I (undes.) believe in r'ac. I think that Alaska been caught in a time where we believed in a boom and bust. We had a boom economy and then we bust and everybody (undes.) I believe I'm one of the first or about the second generation Alaskans other than the traditional Alaska native and I believe that there is a strong pull in this country, Alaska that we all are starting to settle, we're going to stay here, boom or bust, we're going to live here and I believe that the Crossing is a good thing, I think Alaska, Anchorage is a perfect example of boom and bust, it has been built, its design of the city is traditionally not well planned and we're constantly now having to redo things because we're outgrowing the area. I think the bridge is a wonderful idea to open up an area that is fresh and new and that we could maybe better plan for a good living for our families and have land to live on and that and as well as the economical basises for industry and growth. The only real true point I want to state is that I believe that the future you are going to see is that people are going to stick around and that they are going to believe in Alaska and possibly be more active politically and whatever in the growth of our state versus well just staying at home and you've got your cabin and as long as somebody doesn't intrude your land it doesn't bother you. As far as the crossing goes, I really hate to see that we've had 10 years to study and thats it. And we keep studying, and we keep studying and we keep studying and thats all that it goes to and I just think like its been pointed out that the cost keeps getting larger and all we do is study how much its going to cost one more time and I'd sure like to see something more positive go toward this move. And I hope that what I've been reading in the paper, that its not going to be funded is not true.

Number 764

Neil Phelps-Munson: Thanks Pam, this is Neil. We're glad you're in Alaska to stay. As you heard Jack Spake say a few minutes ago we do seem to be coming into an era when development of the kind we're talking about tonight is gathering more favor than it might have in the previous decade, that people are realizing that we can do things like this without destroying the entire countryside, and that we do need them badly. What we need right now, of course is a lot of public support from people like yourself among friends and neighbors to get things like this going because the people down here are required to vote for it and pony up the money for it we'll do what their constituency's tell them they want and we know it's possible but requires the public support to do it and I think any member of the legislature would agree with that opinion.

Number 780

Pam Schlegel: I concur too. Thank you.

Number 784

Representative Ward: Yes, if we could have the next speaker at this time. And Pam, thank you very much and also letters to the editor would help quite a bit to both newspapers.

Number 791

Scott Svendsen: My name is Scott Svendsen and I was born and raised in Anchorage. I'm 34 years old now, Jerry I know you know me down there. As I look around the people in this room, I notice that many people here are quite a bit older than I am, I'm 34 at the present time and I would venture to guess that many of the people sitting here who are older than I am have attended many such meetings as this and I would imagine that they have quite a few meetings left in them, but what I want to know is how many more meetings are we going to have to have before we can really get the ball rolling? Like I say, many people have attended a lot of meetings, but I'd really like to see something happen besides just the consultant studies that have been done. You know, I think that the Knik Arm Crossing is an expensive project, it has always been an expensive project and it will continue to be an expensive project but the way that the real estate is developing in Anchorage is that there really is a dwindling amount of land available and it seems to me only logical that we may have some up front

expense in getting that bridge across but for the welfare and the benefit of Alaska residents as well as Anchorage and Mat-Su area residents that this would be a good thing to do. I'm hoping that this is not just another bunch of lip service, that there will be an attempt a serious stride forward and I certainly would lend a hand on a volunteer basis to help this thing become more of a reality. I also have to state at this time that I am not a land owner in the Point McKensie area or anywhere near abouts, but I just feel so strongly that we need to go in this direction that I'm speaking to you today because of that. Jerry, goll darn it, lets get to work.

Number 840

Representative Ward: Well Scott, I sure thank you very much for the other people there, they might as well know my age too, its 34. I was born in Anchorage and grew up with Scott Svendsen and its been about 20 years since I've seen you. I guess our thoughts are running along the same ways from when you used to play down at the trestle and look across there and wonder when they were going to build that bridge. Now we're both 34 years old and I'm down here doing everything I can to get it built and so is the Speaker of the House and the other members that are here, the freshmen members and the other ones and we are going to get it built. We are here to do a job, we want it built we can only do it with public support and the volunteer work that you mentioned Scott, its good to hear your voice again and like I say the phone number is 278-3668 and I don't know other to emphasize that, I've seen it work on Student Loans, I saw it work on Displaced Homemakers, I've seen it work on almost everything and I'm asking anybody that wants that bridge built to get on, get off, get on the stick and send those things down here, I almost said something wrong there didn't I? Its all public opinion at this point. We need your public opinion in the form of some tangible pieces of paper through telegram system that the State has and we will build it. I hate to be, no I don't hate to be optimistic, but I look at this program and I turn key operation and we can not remove it from the Department of Transportation but maybe let them watch over it with a careful eye. I foresee that from

today 3 years from today, I think that we could be driving across there, I really do believe that.

Number 875

Representative Larson: Yes, Scott as long as we are all confessing our age, I might just, this is Representative Larson, I might just as well tell you that I'm 29. I've been stuck on that number for 19 years now.

Number 881

Scott Svendson: That's too many more meetings to go on this. Anyway, Jerry thank you very much and the rest of you down there thanks very much and I appreciate your efforts as well as everyone's there.

Number 885

Representative Larson: Scott, in relation to the number of meetings that we are going to have to attend, I guess my answer will be, we'll attend as many as it takes to get the job done soon.

Number 888

Scott Svendson: Okay, great I appreciate that, thanks. I'll be there too.

Number 889

Neil Phelps-Munson: Scott, this is Neil. I'm not going to tell you guys how old I am but I was born in New York and I've been in Alaska darn near as long as you have. Further on Jerry's remarks, public pressure and opinion can get things done. You'll recall three years ago you were paying personal income taxes to the State and today you're not, and it was strictly, believe me, the public outcry that brought that about. There was resistance in the legislature and the administration to the repeal of the personal income tax, but it got done and it was people like you that got it done.

Number 900

Representative Ward: Yes, if we could have the next speaker now.

Number 904

Ron Windeler: Ron Windeler again, we don't seem to have anybody else ready to speak at this time and while I was sitting there listening I was doing a little thinking and developing on the idea that I proposed to help finance this project. My new thought is that if it becomes very difficult or impossible to get the legislature to appropriate \$50 million at this time perhaps because our projections for income may slide even further and people may get desperate and

decide that they can't afford this project, would it be possible instead to have the state cede to this bridge authority title to a substantial section of the state land over there and allow the bridge authority to sell the land as they see fit to raise the money to pay for the bridge.

Number 922

Representative Jerry Ward: I have written that right next to your first proposal. I think that it is entirely possible, I don't see why not. The State, the people own the land anyway, its already theirs. I might as well make one thing clear, along with House Bill 295 and 294, there is a letter of intent that is accompanying it at this time and it does appropriate \$25 million from FY '83 and the additional \$25 million in FY '84. Which would mean \$25 million this year and \$25 million the following year. This has been proposed by the people that are in the bonding business that would be enough to get the program off the ground and to start the rolling, generatings of the revenue bonds to make it work. But your proposal does sound very interesting and all of these proposals are going to get consideration as this bill passes through the committees.

Number 937

Ron Windele: Thank you.

Number 940

Representative Ward: Is there anybody else that would like to testify there.

Number 945

Dave Ring: I'm always good at afterthoughts. I don't think I covered this before and thats a matter of establishing priority on State spending. I'm pretty well aware and I'm sure everybody else is that we've got about 100 projects for every dollar laying around. I think it comes down to mentioning a few projects where I would willing put this project first. For one, I'd like to see this project undertaken and completed before we spend \$5 billion on a hydro project anywhere or Susitna. I would rather see this job undertaken and funded and built before I see the people of the State of Alaska take over an already operating railroad, and I don't really think that the State has demonstrated the ability to operate that much better than the people that are there. That would dry up a billion dollars worth of state money to buy the railroad. The third idea, I've heard a

couple of our former Governors kick around the idea of spending \$25 billion to build a gas line to somewhere. There is some merit in building a gas line all right, I don't deny that at all but I think for the State of Alaska to involve any money in that thing I'd vote for that just right after a Knik Arm Bridge. I don't think I'd want to put that project first. I wouldn't recommend that you put it first either. I think there's a good many projects throughout the state that while they do have some merit, they do have some worth and they'll have a long term benefit I don't think there's any of them that's going to exceed this project. I would willing put education in this state ahead of the Knik Arm Bridge. I would willing see our schools and our colleges come first. I would willing see the health and welfare measures come first. I would like to see construction of a Knik Arm Bridge come right behind them. I wouldn't want to see any major projects in the state come ahead of the Knik Arm Bridge, if they did, I'd sure want to look at it quite a while to see if it really had the merit to give a dollar per dollar return that a Knik Arm Bridge might possess. Thank you.

Number 987

Representative Tischer: This is Representative Mae Tischer and I'd like to add to your comments by saying that its abhorable that the state of Alaska with just a little under 420,000 people have to spend \$1.7 billion just to operate state government. That's the first thing I think that surprised the heck right out of me. That's approximately, with state employees running something like 15,000 in total and right now nobody's been able to give us an exact figure of what number the state has in employees, thats about 1 employee for every 23 people in this state. Thats almost like a classroom teacher ratio. And to me, we're spending a lot of money on bureaucracy where we should be taking it and doing something like the Knik Arm Crossing. I believe that that should be looked at too.

Number 001

Dave Ring: Thanks a whole lot.

Number 005

Representative Larson: If I may, maybe I just found the \$50 million for us. I agree with Representative Tischer that the population of the State of Alaska is

somewhere in the neighborhood of 415 to 420,000. Yet we're paying out 471,000 dividend checks that means \$51 million in fraud. There we go.

Number 012

Representative Ward: Yes, Dave, I'd like to add this to you since you did bring up two things that I basically hold in high esteem because I think that they are worthwhile projects although I haven't had the opportunity to have that legislation in front of me and that is the Susitna and also the railroad, and when I look at those I also want the Knik Arm Crossing. As I look at the bill on the Knik Arm Crossing if it does not stand on its merits, meaning that it will not pay for itself, I will not vote for it, I will not allow it to pass, I'll do everything I can to stop it. I intend to do the same thing on Susitna Dam, I intend to do the same thing on the Alaska Railroad, and I think that is the general error of the peoples thinking down here and I'm sure that this has not always been the case. But the people that are in this room and the sponsors of this bill I would say at least have this fundamental basis philosophy and that is if the project is worthwhile and it will stand on its own merit, then we are going to support. If it isn't then we are going to call it what it is, an idea that its time has not and will come. But I intend to look at all of those things, the railroad, the Susitna and the Knik with that in mind and I do believe that the Knik Arm Crossing absolutely stands upon its own merits and it will pay for itself and it will be one of the generating, income producers for the city of Anchorage and for the State of Alaska much, much longer after I'm gone. I hope that the Alaska Railroad and Susitna Dam will also fit into that category although I do not have the proper numbers for it at this time.

Number 043

Dave Ring: I appreciate your comments. I think I could be more enthusiastic about a Susitna hydro development if it were scaled down, if it were say a billion dollar project I would probably be more enthusiastic about it. I look at a billion dollar project as needing to return about \$100 million a year in benefits. I look at a \$5 million project as needing to return \$500 million a year in benefits. So far, from what I can see it

doesn't make that promise. On the other hand the Knik Arm Bridge promises to return 4 times its cost in a 30 year period from about 4 different ways and if I messed up somewhere along the line there, excuse me for letting a little of my enthusiasm get in there. But I appreciate what you're doing and I appreciate the opportunity for everybody to have a whack at this. There's quite a few people in the crowd that don't want to speak and I don't want to take more time hoping that somebody else has shown up that will. Thank you again for the opportunity and I hope that we can do this again in the future sometime and maybe involve a few more of the legislators at the same time. Thank you.

Number 067

Representative Ward: Thank you very much Dave, and just for clarification, your arithmetic is exactly the same as mine and I'm hoping that those are the numbers that I've been given and if those numbers remain and the projections remain on Susitna and the railroad, then yes they are in jeopardy at this time but being one that's an optimistic person I always see that the good things have a habit of turning out fine. May we have the next speaker now.

Number 078

Walt Corey: Yeah, this is Walt Corey here and I've been Alaska around 25-26 years and it seems like year after I got here somebody was talking about building a dam thing or something across the inlet but I wasn't too enthused about it then because I didn't know anything about it. However, the past few years last 10 or 12, 15, I have been quite enthused about it. I think it should have been just like you people said a few minutes ago, it should have been built 10 years ago. The rate things are going, it doesn't look like it's going to get built for another 10 years. I'd like to see it finished in 3 but that's well, neither here or there. With the pollution, with the crowded conditions, with everything else that's been brought up here tonight, I am wondering if we have any choice but to build that thing as quickly as we can and that's about all I have to say.

Number 092

Representative Ward: We thank you very much and everybody in this room is shaking their heads, Walt and that is our feeling right now that we feel that it must be built for these

reasons and each person here has a separate reason as far as the economics of why its justifiable and also because of the crime and because of the pollution that you've mentioned and I'm glad that you spoke and you finally said it. Yes, we must build it and we'll be glad to take the next person at this time and we hope that people that are observing would gladly come forward. We work for you. At this time I will say my sign off and turn it over to the other Representatives and my name is Representative Jerry Ward and my sign off will be 278-3668 to send in the free public opinion message, 50 words or less 278-3668 or you can write letters to the editors of the Anchorage Times or News and if anybody wants to get on the 6:00 news and say that they want to build a bridge, that would be fine too. And we will do the work on this end, we're working for you and we're gonna get the project done and good night to you and I'll turn it over to Representative Larson at this time.

Number 115

Representative Larson: Yes, I just want to thank Representative Ward for the opportunity of taking part in this teleconference tonight and I guess if I had any words of wisdom I would say that probably one of our problems at this point is that we've been preaching to the Christians, its time we go out now and make a few converts.

Number 120

Representative Tischer: Thank you Ron, thats an excellent idea and that just spurred a little spark in my head also. Mae Tischer speaking, you know one of the things that I learned over a good number of years when I worked for the Muscular Distrophy Association was that enthusiasm breeds enthusiasm and one of the ways to do that is that you kind of carry the flag and then I learned that while campaigning in this last election myself that visibility has a great deal to do with the success of a job to get done and the visibility can be done in many ways, in a campaign you put yard signs up and bumper stickers out and put flyers out and so forth, some people parade up and down the street, some people have rally's and some people demonstrations. Well I've seen demonstrations down here on the capital steps for various and sundry causes and they're very effective. I've seen demonstrations

down at City Hall in Anchorage, I've seen them on the federal building steps, I've seen car rally's with signs all over them running up and down the street, up and down the highway and so forth and I'm so terribly enthusiastic about the support that so far we've heard and we haven't heard any negativeness coming out and of course, as Ron has said you know there are some converts out there that need some attention. The group that we are speaking to tonight and those that for this project and will favor it have now the opportunity with the enthusiasm that we have down here in the legislature, outside especially the support from the communities is a vital, vital portion of getting this job done and any means by which you can foster this project, by means of demonstrations, by the telephone calls and the letters and the public opinion messages and the bumper stickers and whatever else you can think to rally around the flag if you will, I encourage you to do that. It may sound rather light if you will but it has a tremendous impact and it certainly does get in the news and the news has a way of spreading, it has a way of influencing people. The more they hear about it the more they think and the more encouraged we will be than to feel that going ahead is the positiveness and the feeling of and concurrence with the constituents that we represent. So with that I would like very much to thank all of you for coming out tonight and to Jerry for getting this teleconference together and as Ron said earlier, as many meetings and as many things that we need to do we will be there to do it. Thank you and good night.

Number 163

Neil Phelps-Munson: And finally, this is Neil one more time for Speaker Joe Hayes and he asked me this evening to give each of you listening his word that he is certainly four square behind the project and has been for some years and as I mentioned earlier was instrumental in the most recent increment of money to be put forward for the project. I also know that he very clearly recognizes the value as the three members here have said, all public demonstrations behalf of something like this whether it be an actual demonstration in terms of marching on the legislative information office or as Mae,

Jerry and Mr. Larson have said, letters to the editor and practically any way you think of to attract public attention to the project in Juneau, there's no reason it can't be done, there's no reason the legislature cannot be encouraged to go for it this year and as I said the Speaker is certainly four square behind it. After all he is prime sponsor of the two bills before us right now. Again, on his behalf, thanks a lot for participating tonight, we hope you will continue to participate until you can drive across that cotton-pickin bridge.

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 11, 1983

SUBJECT: Legislators serving on the Alaska Toll Bridge
and Causeway Authority

TO: Representative Bette Cato
Chairman, House Transportation Committee

FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

You have asked whether legislators are constitutionally prohibited from serving on the Alaska Toll Bridge and Causeway Authority under HB 295. In my opinion they would be prohibited from so serving.

Two questions arise relating to the constitutionality of that provision. The first is whether the position is an office or position of profit which a legislator is prohibited from holding under section 5 of Article II of the Constitution of the State of Alaska. The second is whether the Authority exercises functions which are of such an executive nature that appointment would constitute a violation of the constitutional doctrine of separation of powers.

Section 5 of Article II reads:

Section 5. No legislator may hold any other office or position of profit under the United States or the State. During the term for which elected and for one year thereafter, no legislator may be nominated, elected, or appointed to any other office or position of profit which has been created, or the salary or emoluments of which have been increased, while he was a member. This section shall not prevent any person from seeking or holding the office of governor, secretary of state, or member of Congress. This section shall not apply to employment by or election to a constitutional convention.

This provision has been considered by our Supreme Court in Begich v. Jefferson, 441 P.2d 27 (Alaska 1968) where the issue was whether legislators were prohibited from holding positions as school teachers under the State of Alaska while serving as legislators, and Warwick v. State ex rel Chance, 548 P.2d 384 (Alaska 1976) concerning the appointment as Commissioner of Administration when less than one year from the end of his term had elapsed.

The purpose of the prohibition was stated in Warwick to be:

The terms of art. II, sec. 5 of the Alaska Constitution are clear and unambiguous. The purpose sought to be accomplished by that section is not merely to prevent an individual legislator from profiting by an action taken by him with bad motives, but to prevent all legislators from being influenced by either conscious or unconscious selfish motives.

Section 6 of Article III of the Constitution provides:

Section 6. The governor shall not hold any other office or position of profit under the United States, the State, or its political subdivisions.

The Court in Begich examined the intended meaning of the term "position of profit" in context of similar prohibitions on the governor and the judiciary saying:

"We have concluded that the trial court correctly determined that the provisions of article II, section 5 of the Alaska constitution are unambiguous. Upon a reading of the constitution as a whole, we deem it of paramount significance that the phrase 'position of profit,' in addition to restricting members of the legislature, has also been employed as a restriction upon members of the judicial council, justices of this court, superior court judges, and the chief executive officer of the State of Alaska. Use of the term 'position of profit' in these articles of Alaska's constitution illuminates the reach the framers of our constitution intended to impart to this term in article II, section 5. This usage, considered with the fact that the constitution itself provides only two exceptions to the scope of 'position of profit,' namely, Article II, section 5's proviso that the section itself be inapplicable 'to employment or

election to a constitutional convention,' and article XII, section 3's provision that 'service in the armed forces of the United States or of the State is not an office or position of profit as the term is used in this constitution,' indicates to us that the framers intended to prohibit members of the legislature, judiciary, judicial council, and the state's chief executive officer from holding any other salaried non-temporary employment under the United States or the State of Alaska.

* * *

"Our study has convinced us that the framer's choice of 'position of profit' in the various sections of the constitution to which we have referred reflects their intent to adopt a term which was broad in scope. This same analysis results in the conclusion that the phrase 'position of profit' was intended to bar members of the legislature, justices of this court, superior court judges, members of the judicial council, and the governor of the State of Alaska from concurrently holding any other salaried, non-temporary employment under the State of Alaska."

In my opinion membership on the authority by legislators or the governor constitutes dual office holding prohibited by the constitution.

Although the doctrine of separation of powers does not explicitly appear in our constitution, our Court has consistently held the doctrine as applicable in Alaska (e.g., Public Defender Agency v. Super. Ct. 3rd Jud. Dist., 534 P.2d 947 (Alaska 1975); and Bradner v. Hammond, 553 P.2d 1 (Alaska 1976).

There is a substantial body of case law holding that legislators may not serve on bodies performing executive functions because of the doctrine of separation of powers. Our Court has held that appointment of executive officers is an executive function saying in Bradner v. Hammond, 553 P.2d 1 (Alaska 1976):

Appellee [Hammond] contends that the appointment of executive officers is an executive function. We find appellee's contention most persuasive. In addition to vesting the executive power of the state in the

governor, Section 16 of Article III provides that "[t]he governor shall be responsible for the faithful execution of the laws." In view of the responsibilities imposed by Section 16, and the authority granted by Section 1, the governor is necessarily clothed with the power to appoint subordinate executive officers to aid him in carrying out the laws of Alaska. Thus we conclude that the appointment of executive officers is an executive function; for without such a power, the responsibility for executing executive duties would be diffused and the goal of separation of branches of government, avoiding too great a concentration of power in one branch, would be defeated.

The United States Supreme Court dealt with the separation of powers question in Buckley v. Valeo, 424 U.S. 1 (1976) which concerned the regulations and the constitutional status of the Federal Election Campaign Act's regulation of federal election campaigns. Among the questions considered was the constitutionality of the appointment of the members of the Federal Election Commission. The committee consisted of six members, four of whom were appointed by Congress.

The Court examined the powers of the commission and found the commission, in addition to record keeping, disclosure and investigative functions, had extensive rule-making and adjudication powers. It also found the commission's enforcement power is "both direct and wide ranging."

The Court stated:

Congress viewed these broad powers as essential to effective and impartial administration of the entire substantive framework of the Act. Yet each of these functions also represents the performance of a significant governmental duty exercised pursuant to a public law. While the President may not insist that such functions be delegated to an appointee of his removable at will, Humphrey's Executor v. United States, *supra*, none of them operates merely in aid of congressional authority to legislate or is sufficiently removed from the administration and enforcement of public law to allow it to be performed by the present Commission. These administrative functions may therefore be exercised only by persons who are "Officers of the United States".

Representative Bette Cato
Page 5
May 11, 1983

The Court quoted from Myers v. United States, 272 U.S. 52 (1926). In that case the Court upheld the authority of the President to remove an officer he was initially authorized to appoint. The Court said:

The vesting of the executive power in the President was essentially a grant of power to execute the laws. But the President alone and unaided could not execute the laws. He must execute them under a system of subordinate . . . As he is charged specifically to take care that they be faithfully executed, the reasonable implication, even in the absence of express words, was that as part of executive power he should select those who were to act for him under his direction in the execution of laws.

The Court held the appointment requirement to be a violation of the doctrine of separation of powers.

The test to determine whether appointment of legislators to serve on a commission is a violation of the doctrine of separation of powers is whether the powers of the commission are executive or judicial in nature. This requires in each case examination of the powers granted to the commission.

Very broad executive authority is granted under Sec. 44.57.111.

In my opinion legislators are clearly prohibited from serving as officers of the authority as contemplated by this bill under the separation of powers doctrine and both legislators and the governor are prohibited from serving under the respective dual office holding provisions of the constitution.

CB:ljb
19/022

H B

3 2 1

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

5/23/82

Date: June 14, 1983

Mr. President:

The Committee on TRANSPORTATION has had HB 321

Special appropriation to the Department of Transportation and Public Facilities for improvements and expansion of the terminal at the Anchorage International Airport; eff. date.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
- and recommends _____ new title
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

*But along with Review Rates & income
properties*

[Signature]
CHAIRMAN

HR 321 TITLE & SPONSOR SUMMARY
AMENDED TITLE.

11:11 6/27/83 PAGE 1 OF 3

AN ACT MAKING A SPECIAL APPROPRIATION TO THE DEPARTMENT
OF TRANSPORTATION AND PUBLIC FACILITIES FOR
IMPROVEMENTS AND EXPANSION OF THE TERMINAL AT THE ANCHORAGE
INTERNATIONAL AIRPORT; AND PROVIDE EFFECTIVE DATE

GENERAL DOLLARS: \$0 (F. NOTE)

PRIME SPONSOR: HOUSE RULES COMMITTEE.

OTHER DOLLARS: \$28,000,000

CO-SPONSORS:

CURRENT STATUS: 6/22/83 CHAPTER 0024 SLA 83

HR 321 HOUSE ACTION
DATE SEQ PAGE

11:12 6/27/83 PAGE 2 OF 3

LEGISLATIVE ACTION

04/04/83 01 0724 FIRST READING -- COMMITTEE REPORTS
04/04/83 02 0724 GOV TRANSMITTAL LETTER
04/26/83 03 1035 TRAN -- DP05, NR01
05/20/83 04 1465 FIN -- DP06, NR01
05/20/83 05 1465 FIN F/NOTE HSE SUPPL #33
05/21/83 06 1477 SECOND READING
05/21/83 07 1477 ADVANCED TO 3RD READING BY UNAN CONSENT
05/21/83 08 1477 THIRD READING
05/21/83 09 1477 PASSED BY DIV 34-00-06
05/21/83 10 1477 EFFECT. DATE VOTE SAME AS PASSAGE
06/20/83 20 1837 TRANSMITTED TO GOVERNOR
06/22/83 21 1919 SIGNED BY GOVERNOR-CH0024, EFF 06/23/83

**** ** ** *** ** *

HR 321 SENATE ACTION
DATE SEQ PAGE

11:12 6/27/83 PAGE 3 OF 3

LEGISLATIVE ACTION

05/23/83 11 1078 FIRST READING -- COMMITTEE REPORTS
06/15/83 12 1316 TRAN -- DP04, OTHER01
06/16/83 13 1342 MOVED FROM FIN TO RLS BY UNAN CONSENT
06/17/83 14 1358 RLS -- OTHER05
TAKEN UP IMMEDIATELY
06/17/83 15 1367 SECOND READING
06/17/83 16 1367 ADVANCED TO 3RD READING BY UNAN CONSENT
06/17/83 17 1367 THIRD READING
06/17/83 18 1367 PASSED BY DIV 19-00-01
06/17/83 19 1367 EFFECTIVE DATE VOTE SAME AS PASSAGE

**** ** ** *** ** *

House Bills 321 and 322: Background

House Bills 321 and 322 (companion bills to Senate Bills 266 and 264, respectively) were introduced by the Governor and would raise the bonding limit for the International Airport system by \$28 million to \$62,825,000 from \$34,825,000, and would appropriate \$28 million from the International Airport Revenue Fund (IARF) to the Department of Transportation and Public Facilities for code upgrades, remodeling, expansion and equipping the domestic terminal in Anchorage. The Senate bills have already been passed out of this committee and are in the Senate Rules Committee.

Before considering these bills, it may be helpful to look at some of the components of the the International Airport System. The system has one of the few dedicated funds in the state in the International Airport Revenue Fund (IARF). Income for the IARF comes from a number of sources including the net revenues for the international airport system, appropriations from the legislature and federal airport aid monies. Payments from the fund go toward the capital improvement program for the system.

The system receives heavy traffic for an international airport system of its size. Note that most of the international traffic moves through the Anchorage facility. The nature of travel in Alaska, (i.e. the great distances between population centers) and the state's location on global routes have contributed to this the large volume of use. This has proven to be an attractive situation for carriers and concessionaires choosing to locate and operate in the Alaska and international travel trade.

Non-airline activities associated with air travel (duty-free shops, restaurants, bars, banking services) generate substantial revenues that have enabled the Department of Transportation and Public Facilities (DOT/PF) to operate the international airports with infrequent increases in user fees for air carriers and other users of the system. Net revenues of up to \$12.1 million annually, after debt service on bonds were paid into the IARF. It has been possible for the airport system to undertake a capital improvement program supported by the IARF. The International Airport Terminal in Anchorage, completed last year, was paid for in cash from the fund at a cost of \$25 million.

With such positive cash flows and revenues paid into the fund it was not necessary to raise user fees or rates in the system. Rates were held artificially low, presumably, to create an attractive atmosphere for carriers and concessionaires to operate. Land and building rates have not been increased since the late 1960's and early 1970's. It should be noted that inflation has more than doubled over this period and rates and charges for services have not likewise been increased by the system.

The purpose for these bills is to enable the International Airport system to undertake necessary capital improvements over the next six fiscal years. Improvements at the Anchorage facility will include renovation and expansion of the domestic terminal, parking garage, roadway and utility construction and new emergency equipment building for a total of \$137,800,000. Capital improvements at Fairbanks will include: runway extension and terminal building expansion though fiscal year 1988 for a total of \$38,892,000.

If present cash flow patterns are maintained, the IARF will not be able to fund these improvements totalling over \$176 million, even with the issuance of \$28 million of revenue bonds. During 1981 and 1982, net revenues for the International Airport system after debt service were \$11.8 and \$12.1 million, respectively. However, net revenue is projected to decline to approximately \$4 million per year due to increased operating costs and operation of new facilities.

Today, the IARF contains approximately \$25 million. If the six year CIP program is to be undertaken and completed by Fiscal year 1988, there will have to be significant increases in rates and fees charged for facility usage. As demonstrated by the attached chart the IARF will only be able to support the bond issue proposed in HB 322 leaving a significant portion of the six year program uncompleted unless revenues are raised significantly.

Over the past several years the operators of the International Airport system were unable to deliver bad news to lessees in the form of rate increases. With State revenues declining and the demonstrated ability of the IARF to provide for capital improvements, it is imperative that user charges, which have remained nearly constant over the last twelve years, be increased to provide the necessary funds for expansion so they do not need to come from the State General Fund.

BASE CASE ASSUMPTIONS

	Historical			Projection					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Revenues									
Anchorage International Airport									
Airfield Area				9877000	10102000	10450000	10828000	11146000	11454000
Main Terminal Area				4990000	5365000	5805000	7321000	7877000	8646000
International Terminal Area				8659000	9786000	11079000	12518000	14323000	16062000
Building and Grounds Area				691000	707000	725000	745000	765000	786000
	<u>19345032</u>	<u>21560232</u>	<u>23242000</u>	<u>24217000</u>	<u>25960000</u>	<u>28059000</u>	<u>31322000</u>	<u>34111000</u>	<u>36948000</u>
Fairbanks International Airport									
Airfield Area				2870000	2919000	3187000	3250000	3549000	3630000
Terminal Area				905000	1002000	1059000	1240000	1447000	1501000
Building and Grounds				373000	381000	390000	399000	410000	420000
	<u>3039849</u>	<u>3568579</u>	<u>3681000</u>	<u>4140000</u>	<u>4302000</u>	<u>4636000</u>	<u>4889000</u>	<u>5406000</u>	<u>5551000</u>
Total Revenue	<u>22384881</u>	<u>25128811</u>	<u>26923000</u>	<u>28365000</u>	<u>30262000</u>	<u>32695000</u>	<u>36211000</u>	<u>39517000</u>	<u>42499000</u>
Expenses									
Anchorage International Airport									
Airfield Area				7328000	7915000	8549000	9238000	9979000	10781000
Main Terminal Area				4568000	4951000	5359000	6405000	6933000	7505000
International Terminal Area				2954000	3198000	3462000	4144000	4483000	4850000
Building and Grounds Area				606000	658000	713000	821000	889000	963000
	<u>8553048</u>	<u>9127968</u>	<u>10000200</u>	<u>15456000</u>	<u>16722000</u>	<u>18083000</u>	<u>20608000</u>	<u>22284000</u>	<u>24099000</u>
Fairbanks International Terminal									
Airfield Area				3778000	4081000	4409000	4763000	5146000	5559000
Terminal Area				2002000	2172000	3342000	3685000	4004000	4351000
Building and Grounds Area				315000	342000	449000	488000	529000	575000
	<u>3928692</u>	<u>4348961</u>	<u>5138600</u>	<u>6095000</u>	<u>6595000</u>	<u>8200000</u>	<u>8936000</u>	<u>9679000</u>	<u>10445000</u>
Less: reimbursed expenses	67200	62400	43800						
Total Expenses	<u>12415340</u>	<u>13414529</u>	<u>15095000</u>	<u>21551000</u>	<u>23317000</u>	<u>26283000</u>	<u>29544000</u>	<u>31963000</u>	<u>34504000</u>
Nonoperating revenue (expenses)	2527129	2610375	2957126						
Debt Service - existing bonds	1927000	1928000	1930000	1945000	1946000	2014000	1940000	1944000	2147000
Debt Service - proposed bonds (i.e. HB 322)							3188000	3866000	3866000
Net Revenue	<u>10569670</u>	<u>12396657</u>	<u>12755126</u>	<u>4869000</u>	<u>4999000</u>	<u>4398000</u>	<u>1539000</u>	<u>1744000</u>	<u>1902000</u>
Net revenues after debt service and 1.3 coverage	9991000	11818000	12176000	4285000	4415000	3793000	0	1000	98000

Chapter 7

ANALYSES OF FINANCIAL ALTERNATIVES

This chapter presents a review of airline rate-making approaches that are then used to analyze the IARF. Eight separate analyses are presented involving different assumptions with regard to revenue development alternatives and airline rate-setting approaches. A series of financial exhibits are included in each analysis, beginning with the "base case" (the "do-nothing" alternative).

RATE-MAKING APPROACHES

There are two basic approaches to calculating airline rates and charges followed at most U.S. airports today:

- Compensatory
- Residual cost

Compensatory Approach

Under a compensatory rate-making approach, the airlines pay rates and charges predicated on recovering the fully allocated operating and capital costs of the facilities they use. The calculation of rates and charges is based only on costs associated with airline areas. Rates charged to the airlines do not recover costs of concession space or public areas such as terminal lobbies, road systems, and parking improvements. Also, the airlines do not receive any credit for concession revenues generated at the airport nor do they in any way "guarantee" to keep the airport financially self-sufficient.

The airport sponsor uses concession revenues and other non-airline revenue sources to pay for public areas of the terminal facilities and all other airport costs not covered by the airline rates and charges.

Under the compensatory approach, the relationship between the sponsor and the tenants is an arm's-length "tenant/landlord" relationship. The basic role of the airline sponsor is that of an entrepreneur, with profit and retention of management control as the motives for providing facilities and services.

The sponsor undertakes a proprietor's risk in the operation of the airport--the risk that concessions and other nonairline revenue sources may not generate sufficient revenues to cover all operating and debt service costs not covered by airline fees and rates. The final responsibility for maintaining financial solvency and debt coverage falls on the airport sponsor, and on its ability to manage its lease and use agreements with nonairline tenants and concessionaires in a way to provide adequate cash flow to meet its financial obligations.

In the past, nonairline revenues at most airports using the compensatory approach have exceeded the sponsor's share of airport costs, and the sponsor has been able to generate surpluses. In recent years, however, costs of operation have grown faster than nonairline revenues. A significant number of sponsors using the compensatory policy are seeing the margin between airport revenues and airports costs narrowing. This trend is expected to continue.

Residual Cost Approach

Under this approach (sometimes referred to as a "breakeven" or "single cash register" approach), rates and charges are established to generate sufficient revenues from the airlines to meet all the airport's needs--to keep the airport whole--after first identifying airport costs and allowing credit for airport revenues from sources other than airline rates and charges.

The residual cost approach is an outgrowth of a "public utility" concept of airport operation, where considerations of service are primary and certainty of cost recovery is preferred to the risk of loss, even though it precludes the possibility of unlimited "profit."

With a residual cost approach, all tenants and concessionaires (including airlines) pay for all facilities dedicated to them, and in addition, the airlines guarantee to underwrite any airport expenses not otherwise covered. This approach results in a cooperative relationship between the airport and the airlines based on their mutual interest in service and cost control.

The airlines' position as a "last resort" for revenue provides assurance to the sponsor and the community that the airport can be operated without tax support.

In addition to providing security to the community and the sponsor that all costs will be recovered, a properly developed residual cost airline agreement should provide the sponsor with an additional cash flow (surplus) for its discretionary use.

The amount of the discretionary cash flow negotiated should be adequate to cover foreseeable needs. In effect, the discretionary funds provide a guaranteed surplus to the sponsor for the further development of the airport. The entrepreneurial risk in a compensatory agreement must be evaluated against this "guaranteed surplus," not against the level of income at which revenues just barely cover expenses.

The residual cost approach is based on the philosophy that the airport sponsor's primary role is to provide adequate, convenient public facilities and services paid for solely by airport users with no exposure to taxpayers. Although "profit" is not a goal, the residual cost approach can and usually does provide a means to assure adequate discretionary income (over and above direct cash costs) to meet foreseeable needs, providing management with a degree of financial flexibility. The extent of discretionary cash flow to be built in the rate base is an important element of the negotiation. The residual cost approach also provides added assurance to bond holders, in the form of airline "guarantees," that debt will be serviced every year.

In negotiating a residual cost agreement, the airlines usually insist on provisions in the agreement to permit direct participation in major airport economic decisions; the airline/sponsor relationship is similar to a financial partnership.

Under a compensatory approach, the rate-making process consists of identifying all the costs that can reasonably be attributable to the specific areas and facilities which the airlines use, and developing rates and charges to assure recovery of those costs. The negotiation with the airlines involves defining those costs and determining the fair share to be allocated to the carriers.

Cost Centers

Before establishing new airline fees and charges, it will be important to develop proper cost data upon which to base the calculations.

The current budget components used by the State in the budgetary process (which is designed primarily to match revenues and expenditures against appropriations) do not provide appropriate data for setting fees and charges.

In lieu of historical data with which to develop these data, cost centers have been created for this report, with historical, budget, and projected revenue, expenses, and debt services allocated to them. This approach is helpful in performing

preliminary financial analyses; it is not an adequate substitute for developing an appropriate cost accounting system. The allocation procedures used in this report are simplified approaches. A more detailed approach will be required before rates and charges can be implemented.

The cost centers assumed in this report are intended to cover major areas of airport activity. For Anchorage International Airport, the cost centers are:

- Airfield Area
- Main Terminal Area
- International Terminal Area
- Building and Grounds Areas

For Fairbanks International Airport, the cost centers are:

- Airfield Area
- Terminal Area
- Building and Grounds Areas

The Airfield Area at each airport includes the runways, taxiways, aircraft aprons, airfield, navigation aids, and associated revenues and expenses.

The terminal cost centers (Main Terminal Area and International Terminal Area at Anchorage and the Terminal Area at Fairbanks International Airport) include the terminal buildings, roadways, automobile parking lots, and associated revenues and expenses.

The Building and Grounds Areas includes the portion of the Airport that includes general aviation, airline support, cargo, and other areas leased to tenants.

FINANCIAL ANALYSES

The different financial analyses presented in this chapter are as follows:

1. Base Case (do-nothing alternative)
2. Group I revenue development alternatives
3. Group II revenue development alternatives and compensatory terminal building rentals

4. Group II revenue development alternatives and residual cost terminal building rentals
5. Group III revenue development alternatives and compensatory terminal building rentals and landing fees
6. Group III revenue development alternatives, compensatory terminal building rentals, and residual cost landing fees
7. Group III revenue development alternatives and residual cost terminal building rentals and landing fees
3. Group III revenue development alternatives, residual cost terminal building rentals, and compensatory landing fees

The related financial exhibits in the analyses are presented in the following order:

<u>Exhibit Series</u>	<u>Description</u>
A	Air Traffic Forecasts
B	Capital Improvement Program
C	Project Financing
D	Debt Service and Amortization
E	Revenues and Expenses
F	Airline Terminal Rentals
G	Airline Landing Fees

Several exhibits are presented that are used in more than one of the analyses. These exhibits are not repeated within each analysis; however, the reader will be referred to a previous exhibit where appropriate.

BASE CASE

The objective of the Base Case analysis is to determine to what extent the DOT/PF may finance and construct the Capital Improvement Program if current policies are continued without change.

The analysis was prepared assuming no change in current policies with regard to airport rates, fees, and charges.

Air Traffic Forecast

Exhibit A presents a summary of the air traffic forecasts presented in Chapter 2. The air traffic forecasts remain unchanged in each subsequent analysis presented in this chapter.

Capital Improvement Program

Exhibits B-1 and B-2 present a summary of project costs for the Planned Capital Improvement Program (the "CIP") for Anchorage and Fairbanks International Airports, respectively. Project costs are allocated to airport cost centers based on the expected benefit from the individual project. Certain projects cannot be allocated to specific cost centers and are allocated on an equal basis. The allocation of project costs to cost centers will be used later in this chapter in the setting of airline fees and charges.

The summary of project costs presented in Exhibits B-1 and B-2 remains unchanged in each of the analyses presented in this chapter.

Project Financing

Exhibit C presents a summary of project financing during the projection period.

Principal sources of funds available to finance the projects include bond proceeds of \$33.6 million, grants-in-aid of \$16.4 million, net revenues from operations during the projection period totaling \$17.5 million, net revenues from prior year (FY 1982 or earlier) operations totaling \$15.1 million, and interest income on construction funds, reserve accounts, and interest earned on funds required for the payment of interest on the bonds (capitalized interest) totaling \$8.9 million. A one-time General Fund contribution of \$9 million is included in FY 1983. No interest income is anticipated from this source.

uses of funds available for CIP financing include payment of project costs of \$87.9 million, deposits to the Revenue Bond Fund for capitalized interest totaling \$7.4 million, a deposit to the reserve account of \$3.9 million, and issuance expenses totaling \$1 million.

The Base Case analysis shows that sufficient revenues would not be available to support the sale of revenue bonds in amounts sufficient to construct the full CIP. A shortfall in funds for constructing the CIP would occur in FY 1985.

Debt Service and Amortization

Debt service on existing and proposed bonds is presented in Exhibit E.

Revenues and Expenses

Exhibit E presents a summary of historical and projected revenues, expenses, debt service on outstanding and proposed bonds, net revenues, and net revenues remaining after debt service.

Debt service on the proposed bonds is based on the sale of the maximum amount of bonds that could be supported after the payment of all other IARF expenses and obligations, including debt service and coverage on outstanding bonds. Under the enabling legislation authorizing the issuance of IARF revenue bonds (Title 37, Chapter 15, Article 3 of Alaska Statutes), IARF net revenues must be at least equal to 130% of annual revenue bond debt service.

Net revenues after payment of debt service are assumed to be a source of funds for CIP financing. Net revenues would include the required coverage on the bonds.

Exhibits E-1 and E-2 present a summary of projected airport revenues allocated to airport cost centers for Anchorage and Fairbanks International Airports, respectively. The revenue projections on these exhibits will change under the varying assumptions contained in subsequent analyses.

Exhibits E-3 and E-4 present projected operating and maintenance expenses as allocated to airport cost centers. The expense projections were prepared under the assumption that the CIP would be constructed according to schedule and that the full amount of operating and maintenance expenses for the new facilities would be required. Since the objective of each of the analyses is to determine to what extent the CIP may be financed and constructed, these exhibits do not change in subsequent analyses.

Airline Terminal Rentals

Airline terminal rental rates would remain unchanged for this analysis.

Airline Landing Fees

Airline landing fees would remain unchanged for this analysis.

Summary

The Base Case analysis, assuming that airline rates, fees, and charges would remain unchanged during the projection period, indicates that:

- The IARF could finance no more than about \$33.6 million in revenue bonds to support the projects included in the CIP.
- Net revenues (after payment of expenses of debt service) of about \$17.5 million would also be available to pay for project costs during the projection period.
- Although all maintenance and operating expenses and debt service obligations on outstanding revenue bonds would be met throughout the projection period, the CIP could not be constructed as planned. A shortfall in capital funds would probably occur during FY 1985.
- About \$87.9 million of the \$165.3 million identified in the CIP would be available for capital projects during the projection period. However, the receipt of these funds during the projection period would not allow for the completion of the project as planned.

TABLE 1

SUMMARY OF DISBURSED AND UNDISBURSED AMOUNTS

for the years 1960 through 1964, and for the total amount and percentage of total disbursements and un-disbursements

for fiscal years ending June 30

This exhibit has been prepared on the basis of the information and assumptions set forth in the text and agreement of any transfer of foreign assets which cannot be verified. However, the amount reported upon the transfer of other foreign assets which cannot be verified, has been included in the total amount reported and such verification could be made.

Fiscal Year	Historical		1960		1961		1962		1963		1964		Total
	Disbursed	Un-disbursed	Disbursed	Un-disbursed	Disbursed	Un-disbursed	Disbursed	Un-disbursed	Disbursed	Un-disbursed	Disbursed	Un-disbursed	
1960	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
1961	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
1962	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
1963	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
1964	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
Total	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	5,000,000

GROUP I

As with the Base Case analysis, the objective of this analysis is to determine to what extent the State may finance and construct the Capital Improvement Program.

This analysis was prepared under the same general assumptions as the Base Case analysis. However, the following revenue development alternatives (as discussed in Chapter 3) are also assumed to be implemented:

- Duty free, gift shop, and news/books concession payments to the State would be increased to 15% of gross revenues when the existing agreements expire.
- Rental car agreements would be modified to include a portion of insurance sales and collision damage waiver charges within the definition of gross revenues subject to percentage payments.
- Leases with banks in the Anchorage and Fairbanks terminals would be bid or negotiated and subject to increased rental rates.
- Public parking rates would be adjusted by 15% every two years commencing in FY 1984.

Air Traffic Forecasts

Exhibit A of the Base Case presents the air traffic forecasts incorporated in each analysis.

Capital Improvement Program

Exhibits B-1 and B-2 in the Base Case present the summary of the CIP.

Project Financing

Exhibit C presents a summary of the sources and uses of funds for the capital projects.

The principal sources of funds available for the projects would be (1) the proceeds of two issues of revenue bonds totaling \$52.1 million, (2) interest income of about \$12 million, (3) net revenues after debt service of about \$20.7 million, and (4) the General Fund contribution for Fairbanks projects totaling \$9 million.

Uses of the funds would include about \$105.9 million for project costs and about \$19.1 million for costs and reserve account requirements related to the bonds.

Debt Service and Amortization

Debt service on existing and proposed bonds are shown in Exhibit E.

Revenue and Expense

Exhibit E summarizes historical and projected revenues, expenses, debt service, net revenues, and net revenues after debt service and coverage. The debt service on proposed bonds is based on the sale of the maximum amount of bonds that could be supported from IARF net revenues.

Revenue detail for each airport is shown in Exhibits E-1 and E-2.

The expense projections are unchanged from the previous analysis and are shown in Exhibits E-3 and E-4 in the Base Case.

Airline Terminal Rentals

Airline terminal rental rates would remain unchanged for this analysis.

Airline Landing Fees

Airline landing fees would remain unchanged for this analysis.

Summary

The Group I analysis, which includes the implementation of certain revenue development alternatives, indicates that:

- The IARF could finance no more than about \$52.1 million in revenue bonds to support the CIP.
- Net revenues after the payment of debt service of about \$20.7 million would also be available to support the CIP.

- The CIP could not be constructed as planned. A shortfall in funding would probably occur during FY 1985.
- About \$105.9 million would be available during the projection period for capital projects.

GROUP II WITH COMPENSATORY TERMINAL BUILDING RENTALS

The Base Case and Group I analyses indicated the amount of funds that could be financed to support the CIP under a given set of revenue assumptions. The Group II analyses indicate (1) whether the full amount of revenue bonds necessary to complete the CIP could be financed, and (2) the level of airline terminal building rental rates that would result under these assumptions.

This analysis was prepared under the same revenue assumptions as the Group I analysis. However, in addition to the revenue development assumptions in Group I, the following revenue development actions are assumed to be implemented:

- Land rental rates for aviation tenants would be increased from \$0.06 to \$0.08 per square foot per year. Land rental rates for nonaviation tenants would be increased from \$0.08 to \$0.10 per square foot per year. Because of staggered rental rate adjustment provisions in various leases, the effect of the rental rate increases is projected to occur over a four-year period commencing in FY 1984.
- Terminal building rental rates would be adjusted using a compensatory approach.

Air Traffic Forecasts

Exhibit A of the Base Case analysis presents the air traffic forecasts incorporated in each analysis.

Capital Improvement Program

Exhibits B-1 and B-2 in the Base Case analysis present the summary of the CIP and the allocation of project costs to airport cost centers used in this analysis.

Project Financing

Exhibit C presents a summary of the sources and uses of funds.

The principal sources of funds available to finance the CIP would be (1) the proceeds of two issues of revenue bonds totaling approximately \$103.7 million, (2) interest income of about \$22.6 million, (3) net revenues after debt service of about \$31.9 million, and (4) the General Fund contribution for Fairbanks projects totaling \$9 million.

Uses of the funds would include about \$159.6 million for project costs and about \$38.1 million for capitalized interest and other costs and reserve account requirements related to the bonds.

Debt Service and Amortization

Exhibit D-1 presents a summary of historical and forecast debt service expense for outstanding issues of revenue bonds and proposed bonds.

Debt service on the proposed bonds are allocated to airport cost centers based on the proportionate percentage of project costs allocated to each cost center, as shown in Table 12. The percentage basis for debt service allocation remains unchanged in each subsequent analysis.

Exhibit D-2 presents the detailed allocation of historical and projected debt service to airport cost centers.

Exhibits D-3 and D-4 present a summary of capital projects at Anchorage and Fairbanks International Airports that have been constructed since FY 1977 and funded from IARF net revenues. Project cost for certain projects have been identified by the DOT/PF and allocated to airport cost centers. An amortization payment has been calculated that would allow for recovery of this investment from users of the airports under various rate-setting approaches. These costs are currently not included in the calculation of rates and charges for the airports, but would be included under either of the rate-making approaches presented in this report.

Revenue and Expense

Exhibit E summarizes historical and projected revenues (including airline terminal building rentals) expenses, debt service net revenues, and net revenues after debt service and coverage. Nonairline revenue detail is shown in Exhibit E-1 and E-2.

Expense projections are unchanged and can be found in Exhibits E-3 and E-4 of the Base Case analysis.

Airline Terminal Rentals

Exhibits F-1, F-2, and F-3 present projections of airline rental rates for the Anchorage main terminal, the Anchorage International terminal, and the Fairbanks terminal building, respectively.

Table 12

DERIVATION OF PERCENTAGE BASIS FOR
ALLOCATION OF DEBT SERVICE ON PROPOSED BONDS
International Airports Financial Plan

<u>Cost center</u>	<u>Project costs (thousands of dollars)</u>	<u>Percentage</u>
Anchorage International		
Airfield Area	\$ 28,550	16.1%
Main Terminal Area	97,150	55.0
International Terminal Area	650	0.4
Building and Grounds Area	11,450	6.5
Fairbanks International		
Airfield Area	23,703	13.4
Terminal Area	14,551	8.2
Building and Grounds Area	<u>638</u>	<u>0.4</u>
Total	\$176,692	100.0%

The total terminal building requirement includes operating and maintenance expenses, allocated debt service on existing and proposed bonds, and amortization payments for existing facilities constructed by the State.

This amount is divided by the total area of the terminal building to derive the average airline rental rate per square foot that would be required under a compensatory approach.

Airline Landing Fees

Airline landing fee would remain unchanged for this analysis.

Summary

The Group II analysis, based on the revenue development assumptions and airline rental rates calculated using a compensatory approach outlined previously, indicates that:

- The IARF could not finance the full amount of revenue bonds required to construct the CIP.
- Net revenues (after expenses and debt service) of approximately \$31.9 million would be available to support the CIP.
- A shortfall in funding the CIP would probably occur in FY 1988. However, most of the program could be constructed.
- Terminal building rental rates would increase in FY 1984. The amount of revenue produced by the compensatory approach in this analysis would not be sufficient to support the CIP.

GROUP II WITH RESIDUAL COST TERMINAL BUILDING RENTALS

The Base Case and Group I analyses indicated the amount of funds that could be financed to support the CIP under a given set of assumptions. The Group II analyses and Group III analyses that follow indicate (1) whether the full amount of revenue bonds necessary to complete the CIP could be financed, and (2) the level of airline terminal building rental rates that would result under these assumptions.

This analysis was prepared under the same revenue development assumptions as the previous Group II analysis regarding land rental rates. However, terminal building rental rates were calculated using a residual cost approach.

Air Traffic Forecasts

Exhibit A of the Base Case analysis presents the air traffic forecasts in each analysis.

Capital Improvement Program

A summary of the CIP and allocation of project costs to cost centers is shown in Exhibits B-1 and B-2 in the Base Case analysis.

Project Financing

Exhibit C presents a summary of the sources and uses of funds.

The principal sources of funds would be (1) the proceeds of two issues of revenue bonds totaling approximately \$86.9 million, (2) interest income of about \$21.0 million, (3) net revenues after debt service of about \$48.8 million, and (4) the General Fund contribution of \$9 million.

Use of the funds would include approximately \$165.3 million for project costs (the full amount projected to be spent during the projection period) and about \$32.0 million for costs and reserve account requirements related to the bonds.

Debt Service and Amortization

Exhibit D-1 summarizes the allocation of debt service on existing and proposed bonds using the allocation basis developed in the previous (Group II - compensatory) analysis. The amount of debt service allocated to each of the terminal building cost

centers will be used in the subsequent calculation of terminal building rental rates. The amount of proposed debt service is based on an assumed sale of two issues of revenue bonds totaling \$36.9 million.

Exhibits D-3 and D-4 in the previous analysis (Group II - compensatory terminal building rental rates) shows the amount of funds expended by the State for airport capital projects. These costs have been allocated to cost centers and amortization payments determined. The amortization payments are included in rental rate calculations for each terminal building.

Revenue and Expense

Exhibit E summarizes historical and projected revenue and expense, debt service on existing and proposed bonds, net revenues, and net revenues after debt service and coverage.

Exhibits E-1 and E-2 detail nonairline revenues for each airport by cost center.

Exhibit E-3 and E-4 in the Base Case analysis present expense projections which are unchanged in each of the analyses presented in this report.

Airline Terminal Rentals

Exhibits F-1, F-2, and F-3 present projections of airline terminal building rentals for the Anchorage main terminal, the Anchorage international terminal, and the Fairbanks terminal building, respectively.

Unlike the compensatory rate calculation, which include expenses, debt service and amortization only, the residual approach considers terminal building revenues, with the difference between revenues and expenses becoming the total airline requirement. The requirement is then calculated on a square foot basis. Credits are based on either the total revenue produced by each concession, or the rental equivalent based on payment of the same rate per square foot to be paid by airline tenants, whichever is less.

Airline Landing Fees

Airline landing fees would remain unchanged for this analysis.

Summary

A Group II analysis, based on the revenue development assumptions outlined previously and a residual cost approach to calculating terminal building rental rates, indicates that:

- The IARF could finance the full amount of revenue bonds required to construct the CIP. Net revenues would be sufficient to meet the debt service and coverage requirements on the full amount of bonds required to construct the CIP.
- Net revenues (after expenses and debt service) of approximately \$48.8 would be available for capital projects.
- Although a funding shortfall of about \$0.1 million would occur in FY 1988, the amount is considered to be minor when compared to the net revenues produced under this approach. The net revenue available at the end of FY 1988 of approximately \$11.3 million would offset this shortfall.
- Terminal building rental rates would increase.

GROUP III WITH COMPENSATORY TERMINAL BUILDING RENTALS AND LANDING FEES

As with the previous (Group II) analyses, the purpose of this analysis is to determine (1) whether the full amount of revenue bonds necessary to complete the CIP could be financed; and (2) the level of airline terminal building rental rates and landing fees that would result under these assumptions.

This analysis was prepared under the same assumptions regarding nonairline revenue development as the Group II analysis; in addition, the following revenue development alternatives are assumed to be implemented:

- Land rental rates charged to aviation tenants would be increased to market levels, comparable to the rental rates charged for land in the vicinity of the International Airports. For purposes of this analysis, land rental rates for aviation tenants at Anchorage International Airport are assumed to increase from 6¢ to 16¢ per square foot per year, and land rental rates for nonaviation tenants are assumed to increase from 8¢ to 20¢ per square foot per year. At Fairbanks International Airport, land rental rates are assumed to increase from 6¢ to 16¢ per square foot per year for aviation tenants, and from 8¢ to 20¢ per square foot per year for nonaviation tenants. The effect of the rental rate increases is projected to occur over a four-year period commencing in FY 1984.
- Terminal building rental rates would be adjusted using a compensatory approach.
- Airline landing fees would be adjusted using a compensatory approach.

Air Traffic Forecasts

Exhibit A of the Base Case analysis presents the air traffic forecasts incorporated in each analysis in this chapter.

Capital Improvement Program

Exhibits B-1 and B-2 in the Base Case analysis present the summary of the CIP and the allocation of project costs to cost centers.

Project Financing

Exhibit C presents a summary of the sources and uses of funds. The principal sources of funds available to finance the CIP would be (1) the proceeds of two issues of revenue bonds totaling approximately \$86.9 million, (2) interest income of about \$20.7 million, (3) net revenues after debt service of about \$49.7 million, and (4) the General Fund contribution for Fairbanks projects, totaling \$9 million.

Uses of the funds would include approximately \$165.3 million for project costs, and about \$32 million for cost and reserve account requirements related to the three issues of revenue bonds.

Debt Service

Exhibit D-1 summarizes the allocation of debt service on existing and proposed bonds based on the percentages developed in the Group II - compensatory analysis.

Exhibit D-2 in the Group II - compensatory analysis summarizes the allocation of historical debt service, and Exhibits D-3 and D-4 present the derivation of amortization payments for assets constructed from IARF net revenues. These three exhibits remain unchanged from the earlier analysis and are not repeated here.

Revenue and Expense

Exhibit E summarizes historical and projected revenues from all sources, expenses, debt service, net revenues, and net revenues after debt service and coverage. Debt service on the proposed bonds is calculated as the full amount of bonds required to construct the CIP.

Exhibits E-1 and E-2 show the projection of nonairline revenue for Anchorage and Fairbanks International Airports, respectively.

The expense projections may be found on Exhibits E-3 and E-4 of the Base Case analysis.

Airline Terminal Rentals

Exhibits F-1, F-2, and F-3 present projections of airline terminal building rental rates using the compensatory approach.

Airline Landing Fees

Exhibits G-1 and G-2 present the calculation of airline landing fees using the compensatory approach for Anchorage and Fairbanks International Airports, respectively. Exhibit G-3 presents the results of calculating a common landing fee for both airports.

Each exhibit calculates the airline landing fee requirement, after deducting credits for airline fuel flowage fees and nonairline revenue from the total Airfield Area expenses. Airfield Area expenses include allocated maintenance and operating expenses, amortization payments on existing facilities, and debt service on existing and future revenue bonds.

Summary

The Group III analysis, based on the revenue development assumptions outlined above and the airline terminal building rental rates and landing fees calculated on a compensatory approach, indicates that:

- The IARF could finance the full amount of revenue bonds to be issued to construct the projects in the CIP
- Net revenues (after expenses and debt service) of approximately \$49.7 million would also be available to support the CIP
- Airline terminal building rental rates and landing fees would need to be adjusted each year beginning in FY 1984 and annually thereafter
- About \$0.4 million would be available for future capital projects at the end of the projection period

GROUP III WITH COMPENSATORY TERMINAL BUILDING RENTALS AND RESIDUAL COST LANDING FEES

As with the previous analysis, the purpose of this analysis is to determine (1) whether the full amount of revenue bonds necessary to complete the CIP could be financed, and (2) the level of airline terminal building rental rates and landing fees that would result under these assumptions.

This analysis was prepared under the same assumptions regarding nonairline revenue development as the previous Group II analysis. In addition, the following approaches are assumed:

- Terminal building rental rates would be adjusted using a compensatory approach.
- Airline landing fees would be adjusted using a residual approach.

Air Traffic Forecasts

Exhibit A of the Base Case analysis presents the air traffic forecasts for each analysis in this chapter.

Capital Improvement Program

Exhibits B-1 and B-2 in the Base Case analysis present the summary of the CIP and the allocation of project costs to cost centers.

Project Financing

Exhibit C presents a summary of the sources and uses of funds. The principal sources of funds available to finance the CIP would be (1) the proceeds of two issues of revenue bonds totaling approximately \$86.9 million, (2) interest income of about \$21.5 million, (3) net revenues after debt service of about \$64.7 million, and (4) the General Fund contribution for Fairbanks projects, totaling \$9 million.

Uses of the funds would include approximately \$165.3 million for project costs and about \$32.0 million for cost and reserve account requirements related to the two issues of revenue bonds.

Debt Service

Exhibit D-1 in the Group III - compensatory analysis summarizes the allocation of debt service on existing and proposed bonds based on the percentages developed in the Base Case analysis.

Exhibit D-2 in the Group II - compensatory analysis summarizes the allocation of historical debt service; Exhibits D-3 and D-4 present the derivation of amortization payments for assets constructed from IARF net revenues. These three exhibits remain unchanged and are not repeated here.

Revenue and Expense

Exhibit E summarizes historical and projected revenues from all sources, expenses, debt service, net revenues, and net revenues after debt service and coverage.

Exhibits E-1 and E-2 in the Group III - compensatory analysis show the projection of nonairline revenue for Anchorage and Fairbanks International Airports, respectively.

The expense projections are shown in Exhibits E-3 and E-4 of the Base Case analysis.

Airline Terminal Rentals

Exhibits F-1, F-2, and F-3 in the Group III - compensatory analysis present projections of airline terminal building rental rates using the compensatory approach. The procedures used and the results of the calculations are the same. These three exhibits are not repeated here.

Airline Landing Fees

Exhibits G-1 and G-2 present the calculation of airline landing fees using the residual cost approach for Anchorage and Fairbanks International Airports, respectively. Exhibit G-3 presents the results of calculating a common landing fee for both airports.

The residual cost landing fee calculations determine the amount required to meet total obligations after considering all available revenues.

Summary

The Group III analysis, based on the revenue development assumptions outlined above, and with airline terminal building rental rates and landing fees calculated on a residual approach, indicates that:

- The IARF could finance the full amount of revenue bonds to be issued to construct the projects in the CIP
- Net revenues (after expenses and debt service) of approximately \$64.7 million would also be available to support the CIP
- Airline terminal building rental rates and landing fees would need to be adjusted each year beginning in FY 1984 and annually thereafter
- About \$16.3 million would be available for future capital projects at the end of the projection period

GROUP III WITH RESIDUAL COST TERMINAL BUILDING RENTALS AND LANDING FEES

This analysis was prepared under the same assumptions regarding nonairline revenue development as the Group III analysis, except that terminal building rental rates and airline landing fees would be adjusted using a residual cost approach.

As with each of the Group II and Group III analyses, the purpose of this analysis is to determine (1) whether the full amount of revenue bonds necessary to complete the CIP could be financed, and (2) the level of airline terminal building rental rates and landing fees that would result under these assumptions.

Air Traffic Forecasts

Exhibit A of the Base Case analysis presents the air traffic forecasts incorporated in each analysis in this chapter.

Capital Improvement Program

Exhibits B-1 and B-2 in the Base Case analysis present the summary of the CIP and the allocation of project costs to cost centers.

Project Financing

Exhibit C presents a summary of the sources and uses of funds. The principal sources of funds available to finance the CIP would be (1) the proceeds of two issues of revenue bonds totaling approximately \$86.9 million, (2) interest income of about \$21.4 million, (3) net revenues after debt service of about \$62.7 million, and (4) the General Fund contribution for Fairbanks projects, totaling \$9 million.

Uses of the funds would include approximately \$165.3 million for project costs and about \$32 million for cost and reserve account requirements related to the three issues of revenue bonds.

Debt Service

Exhibit D-1 in the Group III - compensatory analysis summarizes the allocation of debt service on existing and proposed bonds based on the percentages developed in the Group II - compensatory analysis.

Exhibit D-2 in the Group II - compensatory analysis summarizes the allocation of historical debt service; Exhibits D-3 and D-4 in the Group II - compensatory analysis present the derivation of amortization payments for assets constructed from IARF net revenues. These three exhibits are not repeated here.

Revenue and Expense

Exhibit E summarizes historical and projected revenues from all sources, expenses, debt service, net revenues, and net revenues after debt service and coverage.

Exhibits E-1 and E-2 in the Group III - compensatory analysis show the projection of nonairline revenue for Anchorage and Fairbanks International Airports, respectively.

The expense projections are shown in Exhibits E-3 and E-4 of the Base Case analysis.

Airline Terminal Rentals

Exhibits F-1, F-2, and F-3 in the Group II - residual analysis present projections of airline terminal building rental rates using the residual approach. The procedures used and the results of the calculations are identical in this analysis. These three exhibits remain unchanged and are not repeated here.

Airline Landing Fees

Exhibits G-1 and G-2 present the calculation of airline landing fees using the residual cost approach for Anchorage and Fairbanks International Airports, respectively. Exhibit G-3 presents the results of calculating a common landing fee for both airports.

Each exhibit calculates the total airline landing fee requirement, after deducting credits for airline fuel flowage fees and nonairline revenue from the total Airfield Area expenses. Airfield Area expenses include allocated maintenance and operating expenses, amortization payments on existing facilities, and debt service on existing and future revenue bonds.

Summary

The Group III analysis, based on the revenue development assumptions outlined above, and with airline terminal building rental rates calculated using a residual cost approach and landing fees calculated using a compensatory approach, indicates that:

- The IARF could finance the full amount of revenue bonds to be issued to construct the projects in the CIP
- Net revenues (after expenses and debt service) of approximately \$62.7 million would also be available to support the CIP
- Airline terminal building rental rates and landing fees would need to be adjusted each year beginning in FY 1984 and annually thereafter
- About \$14.2 million would be available for future capital projects at the end of FY 1988.

GROUP III WITH RESIDUAL COST TERMINAL BUILDING RENTALS AND COMPENSATORY LANDING FEES

This analysis was prepared under the same assumptions regarding nonairline revenue development as the previous Group III analysis, except that:

- Terminal building rental rates would be adjusted using a residual cost approach.
- Airline landing fees would be adjusted using a compensatory approach.

As with each of the Group II and Group III analyses, the purpose of this analysis is to determine (1) whether the full amount of revenue bonds necessary to complete the CIP could be financed, and (2) the level of airline terminal building rental rates and landing fees that would result under these assumptions.

Air Traffic Forecasts

Exhibit A of the Base Case analysis presents the air traffic forecasts incorporated in each analysis in this chapter.

Project Costs

Exhibits B-1 and B-2 in the Base Case analysis present the summary of the CIP and the allocation of project costs to cost centers.

Project Financing

Exhibit C presents a summary of the sources and uses of funds. The principal sources of funds available to finance the CIP would be (1) the proceeds of two issues of revenue bonds totaling approximately \$86.9 million, (2) interest income of about \$21.8 million, (3) net revenues after debt service of about \$67 million, and (4) the General Fund contribution for Fairbanks projects, totaling \$9 million.

Uses of the funds would include approximately \$165.3 million for project costs, and about \$32 million for cost and reserve account requirements related to the three issues of revenue bonds.

Debt Service

Exhibit D-1 in the Group III - compensatory analysis summarizes the allocation of debt service on existing and proposed bonds based on the percentages developed in the Base Case analysis.

Exhibit D-2 in the Group II - compensatory analysis summarizes the allocation of historical debt service; Exhibits D-3 and D-4 present the derivation of amortization payments for assets constructed from IARF net revenues. These three exhibits are not repeated here.

Revenue and Expense

Exhibit E summarizes historical and projected revenues from all sources, expenses, debt service, net revenues, and net revenues after debt service and coverage.

Exhibits E-1 and E-2 in the Group III - compensatory analysis show the projection of nonairline revenue for Anchorage and Fairbanks International Airports, respectively.

The expense projections are shown in Exhibits E-3 and E-4 of the Base Case analysis.

Airline Terminal Rentals

Exhibits F-1, F-2, and F-3 in the Group II - residual cost analysis present projections of airline terminal building rental rates using the residual cost approach. The procedures used and the results of the calculations are identical in this analysis. These three exhibits are not repeated here.

Airline Landing Fees

Exhibits G-1 and G-2 present the calculation of airline landing fees using the compensatory approach for Anchorage and Fairbanks International Airports, respectively. Exhibit G-3 presents the results of calculating a common landing fee for both airports.

Summary

The Group III analysis, based on the revenue development assumptions outlined above, and with airline terminal building rental rates and landing fees calculated on a compensatory approach, indicates that:

- The IARF could finance the full amount of revenue bonds to be issued to construct the projects in the CIP
- Net revenues (after expenses and debt service) of approximately \$67 million would also be available to support the CIP
- Airline terminal building rental rates and landing fees would need to be adjusted each year beginning in FY 1984 and annually thereafter
- Approximately \$18.9 million would be available for future capital projects at the end of FY 1988

HPB

322

HB 322 TITLE & SPONSOR SUMMARY

AMENDED TITLE:

AN ACT INCREASING THE BOND AUTHORIZATION FOR INTERNATIONAL AIRPORT REVENUE BONDS TO \$62,825,000; AND PROVIDING FOR AN EFFECTIVE DATE

PRIME SPONSOR: HOUSE RULES COMMITTEE.

CO-SPONSORS:

CURRENT STATUS: 6/22/83 CHAPTER 0025 SLA 83

DATE	SEQ	PAGE	LEGISLATIVE ACTION
04/04/83	01	0725	FIRST READING -- COMMITTEE REPORTS
04/04/83	02	0725	GOV TRANSMITTAL LETTER
04/04/83	03	0725	F/NOTE HSE SUPPL #33
04/26/83	04	1035	TRAN -- DP06, NR01
05/20/83	05	1465	FIN -- DP09, NR01
05/21/83	06	1478	SECOND READING
05/21/83	07	1478	ADVANCED TO 3RD READING BY UNAN CONSENT
05/21/83	08	1478	THIRD READING
05/21/83	09	1478	PASSED BY DIV 36-00-04
05/21/83	10	1478	EFFECTIVE DATE VOTE SAME AS PASSAGE
06/20/83	20	1837	TRANSMITTED TO GOVERNOR
06/22/83	21	1920	SIGNED BY GOVERNOR-CH0025, EFF 06/23/83

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DATE	SEQ	PAGE	LEGISLATIVE ACTION
05/23/83	11	1078	FIRST READING -- COMMITTEE REPORTS
06/15/83	12	1316	TRAN -- DP05
06/16/83	13	1342	MOVED FROM FIN TO RLS BY UNAN CONSENT
06/17/83	14	1358	RLS -- OTHER05 TAKEN UP IMMEDIATELY
06/17/83	15	1368	SECOND READING
06/17/83	16	1368	ADVANCED TO 3RD READING BY UNAN CONSENT
06/17/83	17	1368	THIRD READING
06/17/83	18	1368	PASSED BY DIV 19-00-01
06/17/83	19	1368	EFFECTIVE DATE VOTE SAME AS PASSAGE

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SEE HB 321

House Bills 321 and 322: Background

House Bills 321 and 322 (companion bills to Senate Bills 266 and 264, respectively) were introduced by the Governor and would raise the bonding limit for the International Airport system by \$28 million to \$62,825,000 from \$34,825,000, and would appropriate \$28 million from the International Airport Revenue Fund (IARF) to the Department of Transportation and Public Facilities for code upgrades, remodeling, expansion and equipping the domestic terminal in Anchorage. The Senate bills have already been passed out of this committee and are in the Senate Rules Committee.

Before considering these bills, it may be helpful to look at some of the components of the the International Airport System. The system has one of the few dedicated funds in the state in the International Airport Revenue Fund (IARF). Income for the IARF comes from a number of sources including the net revenues for the international airport system, appropriations from the legislature and federal airport aid monies. Payments from the fund go toward the capital improvement program for the system.

The system receives heavy traffic for an international airport system of its size. Note that most of the international traffic moves through the Anchorage facility. The nature of travel in Alaska, (i.e. the great distances between population centers) and the state's location on global routes have contributed to this the large volume of use. This has proven to be an attractive situation for carriers and concessionaires choosing to locate and operate in the Alaska and international travel trade.