

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8812 HOUSE TRANSPORTATION

## DEPARTMENT OF NATURAL RESOURCES

### MISSION

Developing, preserving, and enhancing our natural resources for us and for our children.

#### Major Goals and Strategies

##### **1** Develop and stimulate resource-based economic activity

- Offer 1.6 million acres for oil & gas leasing in three lease sales.
- Provide 49.3 million board feet for the forest industry.
- Provide 50 agriculture land disposal packages.
- Generate over \$650,000 from fees from the state's 31,000 mine claims.
- Administer 140 private timber sales and 1,800 personal use permits.
- Generate \$1 million in coal royalties.
- Generate \$10 million from land sales, permits, leases and fees.
- Generate over \$2 million in user fees from park operations.
- Process over 3,000 requests for use of state land or resources.
- Generate at least \$2 million from Alaska Mental Health Trust lands.

##### **2** Preserve Alaska's resources, scenic and cultural values and stress Alaska's quality of life

- Locate one new alternative energy source for rural Alaska communities.
- Complete two master plans for marine parks.
- Supervise and inspect 20 Alaskan dams for safety.
- Coordinate with the Bureau of Land Management to protect 134 million acres of Alaska's lands from wild fires, providing over 1,000 seasonal jobs for rural residents.
- Plant 600 acres of forest land and survey 1,000 acres for regeneration.

##### **3** Enhance natural resource accessibility by simplifying and accelerating regulatory processes and organizational structures to better serve our customers

- Maintain customer service centers in Public Information Centers in Anchorage, Juneau, and Fairbanks.
- Complete 1000 deeds for the Mental Health Trust Lands.
- Provide quality customer service for over 10,000 lease and sale contracts. Audit and maintain accurate records for 25,000 payments.
- Revise Title 38 to significantly reduce the steps in the many statutory processes.
- Certify entitlement for one municipal government and convey about 20,000 acres to 20 different municipalities.
- Adopt regulations which ensure that DNR management is consistent with the Mental Health Trust enabling act, settlement and settlement legislation.
- Attempt to secure the remaining 20,000 acres of Mental Health Trust entitlement.

##### **4** Improve public awareness of Alaska's natural resource asset base, its market potential within Alaska and the world, how it effects our daily lives, creates jobs, and how to implement its promise for our common future.

- Convert 50% of the remaining manual plats to digital format and create 1,000 townships in automated format on the state's land information system.
- Develop public access for the electronic records of Land Records Information Services financed by fees and generate \$50,000 in program receipts.
- Distribute 10,000 resource integration maps generating \$50,000 in program receipts.
- Increase natural resource awareness in 20 public schools.
- Complete the Kodiak area plan (5 million acres).
- Establish a home page on the Internet providing world wide access to Alaska geologic resource publications.

**KEY PERFORMANCE MEASURES**

- Offer 1.6 million acres of state land for oil & gas leasing in three lease sales.
- Administer and facilitate the issuance of 31,000 mining claim permits.
- Maintain and operate 127 state park units to accommodate 6 million visits.
- Maintain the state's land data base through the notation of 10,000 state resource transactions, affecting 12,000 townships, and make this information available to the public.
- Generate \$1.3 million from sale of forest products and offer 49.3 million board feet for the forest industry.

**Other Key Issues**

**Responsibility review:** Review all of our responsibilities, such as continued state ownership of vast amounts of surface land, to see if we can concentrate on the "vital few" and eliminate most of the "trivial many".

**Process review:** Continue the review of all of our processes to eliminate unnecessary steps and duplication.

**Native Commission Report:** Analyze our activities in rural Alaska to help achieve the goals set out in this report.

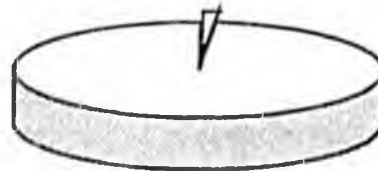
**Efficiencies and Economies**

**Volunteers in Parks (VIP):** The VIP program which presently provides 72,000 hours of donated time, will be expanded 5% (3600 hours) this year.

**Central Fire Facility:** Forestry will evaluate consolidation of four separate fire suppression facilities into one, saving \$8 million over the 20 year life of the project.

**Recorder's Office** will provide copies of documents within one day of request.

Department of Natural Resources  
2% of Total Operating Budget



Budget Summary	FY95 Actual	FY96 Authorized	FY97 Governor
General Fund - Designated for specific purposes	\$N/A	\$2,522.7	\$2,544.4
General Fund - All other	50,918.7	41,780.7	41,127.1
Federal Funds	10,946.0	11,029.8	8,318.9
Other Funds -State corporation earnings, internal service funds	17,525.9	7,918.3	7,337.6
<b>TOTAL BUDGET</b>	<b>\$79,390.6</b>	<b>\$63,251.5</b>	<b>\$59,328.0</b>
Positions - Full-time	604	583	560
Part-time and Seasonal	240	240	231



## GREATER PALMER CHAMBER OF COMMERCE

January 30, 1996

Representative Scott Ogan  
State Capitol  
Juneau, Alaska 99801-1182

Re: House Bill No. 352

Dear Representative Ogan:

On behalf of the Board of Directors of the Greater Palmer Chamber of Commerce, I am writing in support of House Bill No. 352. This bill allows for a lease-purchase agreement between the State of Alaska Department of Natural Resources and the City of Palmer for a fire management facility at the Palmer Municipal Airport.

The fire management facility that would result from passage of this legislation would provide a consolidation of Division of Forestry wildland fire services. At present, these services are located in four different facilities. According to Division of Forestry research, consolidation would result in increased efficiency and would save the State of Alaska approximately \$9 million over the next twenty years. The state would own the facility at the end of the lease term.

Palmer appears to be the logical location for this facility. It is centrally located in the wildland fire protection area. One of the current facilities is located at the airport in Palmer. There is undeveloped land available for the project, the airport has a 6,000 foot paved runway, commercial support options are available and the City of Palmer has committed to work closely with the Division of Forestry to bring about the project.

We have been notified that the administration has included a consolidated wildland fire facility in the FY 1997 Executive Budget Summary. It would seem that now is the time to pass this legislation. The Palmer Chamber urges passage of House Bill No. 352.

Sincerely,

Penny Griffin  
President

cc

STATE OF ALASKA  
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Natural Resources	DIVISION Forestry	BILL NUMBER HB352	SPONSOR Representative Ogan
SHORT TITLE OF BILL Approve Palmer Airport Fire Bldg.			
DEPARTMENT POSITION DNR strongly supports passage of this bill.			
PREPARED BY Tom Boutin, Director	DATE 1/29/96	COMMISSIONER'S SIGNATURE <i>[Signature]</i>	DATE 1/30/96

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Municipal fire districts south of the Alaska Range, villages with Emergency Fire Fighting Crews throughout the state, Alaska Fire Service, United States Forest Service, Bureau of Land Management, Bureau of Indian Affairs, other land management agencies.	CONSTITUENT GROUP(S) AFFECTED BY BILL Fire protection organizations, private landowners, commercial aviation community, forest-based industries, municipalities in Southcentral.
ORGANIZATIONAL SUPPORT FOR BILL Alaska Fire Chiefs Association, City of Palmer, Matanuska-Susitna Borough, Society of American Foresters, Alaska Forest Association, Alaska Reforestation Council.	ORGANIZATIONAL OPPOSITION TO BILL None known.

FISCAL IMPACT: NONE  FISCAL NOTE ATTACHED

**BACKGROUND/LEGISLATIVE INTENT**  
This bill would authorize the City of Palmer to enter into a lease-purchase agreement with the Department of Administration. The City of Palmer would issue a lease obligation and use the proceeds to construct a facility at the Palmer Airport for the Department of Natural Resources wildland fire suppression and forestry program in Southcentral. The state would own the facility at the end of the lease term. The project has a significant net present value savings.

**ANALYSIS OF BILL/PROGRAM EFFECTS**  
This project offers significant savings to the state by offering consolidation of several facilities; some of which are now leased under rental agreements and others will require significant investment for minimal health and safety. Consolidation also offers personnel savings. DNR has analyzed the programmatic effects and has summarized them in a booklet. Also, DNR, with the help of the State Bond Committee, has analyzed the financial aspects of the agreement. This financial analysis has been updated from time to time as interest rates have changed. The current financial analysis is reflected in the DNR Fiscal Note.

AMENDMENTS PROPOSED: NONE  SEE ATTACHED

PLEASE ATTACH SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS

# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. HB 352

Revision Date: Original Dept Affected Natural Resources  
 Title: An Act giving notice of and approving a BRU: Statewide Fire Suppression Program  
lease-purchase agreement with the City of Palmer for a fire... Component: Fire Suppression  
 Sponsor: Representative Scott Ogan  
 Requestor: \_\_\_\_\_ Component Serial No. 437

(Thousands of Dollars)

Expenditures/Revenues	FY97	FY98	FY99	FY00	FY01	FY02
<b>OPERATING EXPENDITURES</b>						
PERSONAL SERVICES		(55.0)	(55.0)	(55.0)	(55.0)	(55.0)
TRAVEL		(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
CONTRACTUAL		(159.0)	(159.0)	(159.0)	(159.0)	(159.0)
SUPPLIES						
EQUIPMENT		(16.2)	(16.2)	(16.2)	(16.2)	(16.2)
LAND & STRUCTURES		(50.3)	(50.3)	(50.3)	(50.3)	(50.3)
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	(282.9)	(282.9)	(282.9)	(282.9)	(282.9)
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0

(Thousands of Dollars)

FUND SOURCE	FY97	FY98	FY99	FY00	FY01	FY02
1002 Federal Receipts						
1003 GF Match						
1004 GF		(282.9)	(282.9)	(282.9)	(282.9)	(282.9)
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	(282.9)	(282.9)	(282.9)	(282.9)	(282.9)

Estimate of any current year (FY96) cost: \$ none

**POSITIONS**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	-3	-3	-3	-3	-3

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

The total of construction cost, issuance cost and underwriters discount would be less than \$6,000.0. The financial analysis is based upon 20 annual payments of \$548.1 and a true interest cost of 5.5%. The State Bond Committee and the City of Palmer might desire a different lease term. A shorter lease term would increase the annual lease payment but decrease true interest costs and total lease payments. Debt service would need to be appropriated along with payments on other state lease obligations.

The state would own the facility at the end of the lease term and the savings would continue. The savings shown here are aggregate and may be included in several budget components (Fire Suppression, Forest Mgmt. & Development, and Dept of Administration-General Services). The lease obligation would be issued by the City of Palmer.

Division of Forestry projects this project to have a net present value savings of over \$2,000.0. Part of the savings over the first three years is cost avoidance of deferred maintenance/repairs of about \$2,000.0.

Prepared by: Tom Boutin, Director Phone: 465-3379  
 Division: Forestry Date: 30-Jan-96  
 Approved by Commissioner: [Signature] Date: 30-Jan-96  
 Agency: Natural Resources

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# FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. HB352

Revision Date: 1/29/96 Dept. Affected: DOT&PF  
 Title: An Act giving notice of and approving a lease-purchase with City of Palmer of a fire management facility BRU: Central Region  
 Sponsor: Representative Ogan Component: Design and Construction  
 Requester: House Transportation COMPONENT SERIAL NO. #561

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY96) cost: \$ 0.0

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

Although the fiscal note is zero, it would be anticipated that DOT&PF would be reimbursed through the normal RSA process for any required reviews and coordination effort.

Prepared by: Loren Rasmussen, P.E. Acting Director Phone: 465-2960  
 Division: Engineering and Operations Date: 1/29/96  
 Approved by: Joseph L. Perkins, Commissioner Date: 1/29/96  
 Agency: Department of Transportation and Public Facilities

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# HOUSE COMMITTEE REPORT

(7)  
 Date Referred: May 16, 1995 FURTHER REFERRALS: Finance

Date of Committee Action: 1/31/96

The TRANSPORTATION Committee considered: HB 352

HOUSE BILL NO. 352 APPROVE PALMER AIRPORT FIRE BLDG.

"An Act giving notice of and approving a lease-purchase agreement with the City of Palmer for a fire management facility at the Palmer Airport."

recommends it be replaced  the same title  
 with the following committee substitute \_\_\_\_\_  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) DNR  fiscal note(s) \_\_\_\_\_

zero fiscal note(s) DOT/PE  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Beverly Mark</i>	✓			
<i>Constance James</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	

CHAIR'S SIGNATURE *[Signature]*

# South Zone Facilities Consolidation

## Proposed Lease Finance at Palmer Airport



# **SOUTH ZONE CONSOLIDATION PROJECT**

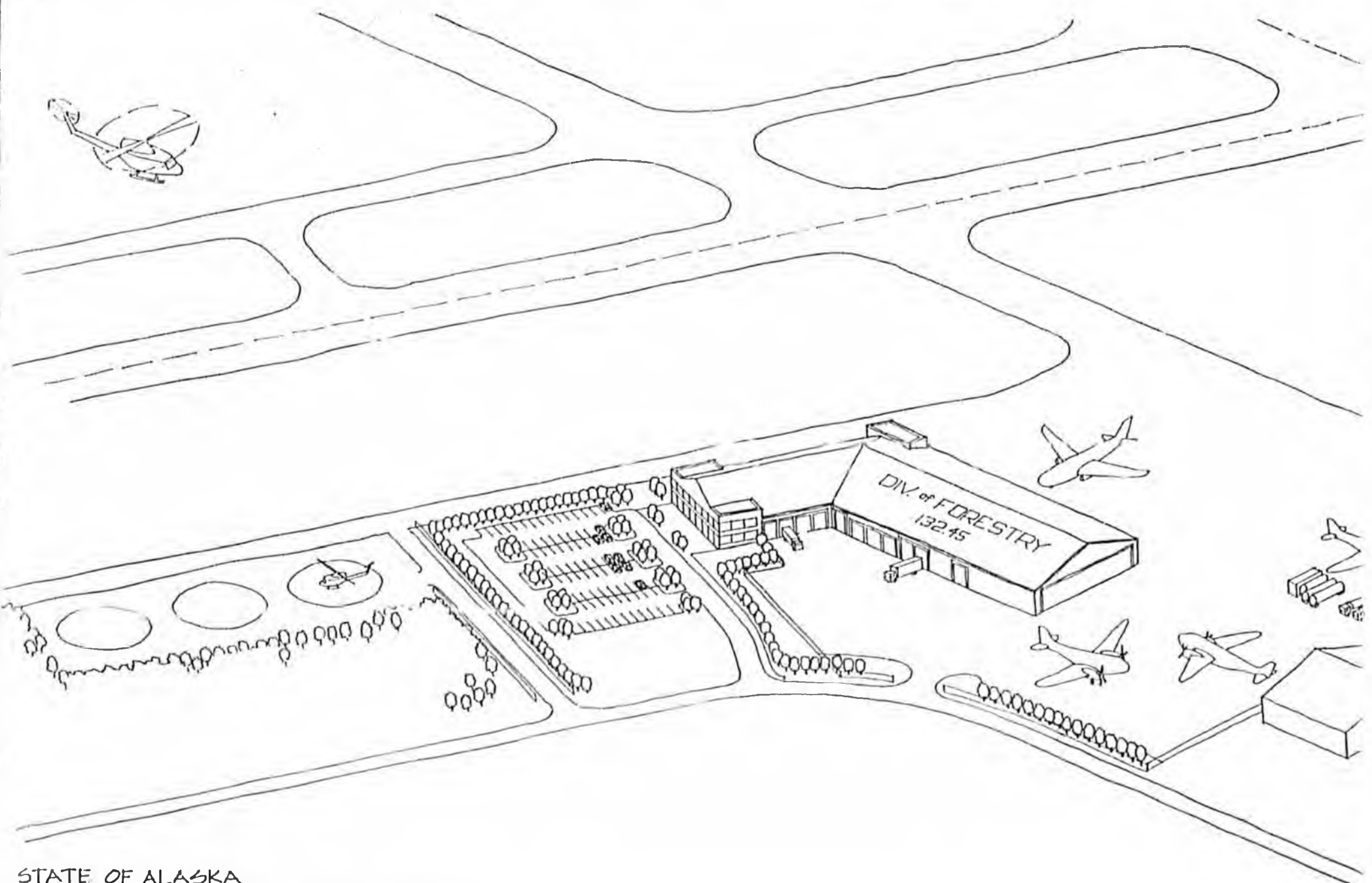
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*Proposed lease finance  
for Fire Management*

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*State of Alaska  
Department of Natural Resources  
Division of Forestry*

*January 1996*



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF FORESTRY  
SOUTH ZONE  
FIRE MANAGEMENT  
CONSOLIDATION PROJECT

# **EXECUTIVE SUMMARY**

## **STATE DIVISION OF FORESTRY**

### **WILDLAND FIRE PROGRAM SOUTH ZONE FACILITY CONSOLIDATION**

The State Division of Forestry (DOF) is proposing to consolidate four wildland fire facilities to cut cost and increase efficiency. This would involve centralizing the Eagle River Fire Facility (warehouse & equipment shop), Big Lake Area Office & Initial Attack Base, Anchorage Fire Coordination Center (South Zone), and the Palmer Air Tanker Base.

- \* Declining budgets require maximizing operational efficiency. The present scattered facilities are inefficient and require extra coordination.
- \* DOF proposes a Lease Finance approach to build a new centralized facility
- \* The new consolidated facility would provide...
  - \* a logistics office to coordinate the delivery of supplies, equipment, and personnel to wildland fires,
  - \* a warehouse for fire-fighting supplies and their rapid distribution via the road system or by air cargo to remote locations,
  - \* the Anchorage Mat-Su Area Office with a convenient location to better serve the public. This office issues permits for brush burning, firewood/house logs and provides resources information to the public.
  - \* a base for fire-fighting trucks and aircraft,
  - \* a site for fire retardant storage, mixing, and loading of heavy air tanker aircraft.
  - \* The new facility would provide service to the 108 million acre South Zone that encompasses most of Southcentral & Southwest Alaska or about thirty percent of the state. This area includes the following State House Voting Districts 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, & 16 and the following Senate Voting Districts, C, D, E, F, G, H, I, J, K, M, N, and parts of R & T.
- \* The Palmer Airport site has available undeveloped land, a 6,000 foot paved runway, community services, commercial support options, and is centrally located in the wildland fire protection area.
- \* The proposed facility construction is initially estimated to cost \$6 million dollars. This consolidation has a net present value savings, is anticipated to save approximately \$9 million in operating costs over the next twenty years, and the State will own the facility at the end of the lease term.

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### Goal (Proposal)

Consolidate the South Zone Anchorage Office, the Big Lake Area Office, the Palmer initial attack trailer, the Palmer dispatch office, and the Eagle River Warehouse function into one facility located at Palmer Municipal Airport.

Increase operational efficiencies that will position Forestry to more effectively meet anticipated budget decreases in the future.

It is the intent of this proposal to capitalize on current relatively low interest rates while obtaining an adequate facility as a net gain.

## **INTRODUCTION**

AS:41:15:010 requires the Department of Natural Resources to protect State, Private and Municipal land from wildland fires. The state and federal fire management agencies have split the state in half, with the state protecting fire-prone lands in the southern half of the state and the federal government protecting fire-prone lands in the northern part of the state regardless of ownership. This cooperative approach to statewide fire management with the federal sector avoids costly duplication of suppression resources and is the most cost-effective approach to providing protection services.

Most of the state's area of responsibility encompasses high value, populated areas and marketable natural resources. Fires threaten these areas annually during spring, summer and fall. The state is responsible for approximately 134 million acres, including the road net, the rail belt and the major urban areas where 70 percent of Alaska's residents live.

Because of the large area the state protects, the Division of Forestry has divided the protection responsibility into two Fire Management Zones. Each zone supervises the fire control activities of several smaller administrative offices. The South Zone, headquartered in Anchorage, is responsible for oversight of all activities for the Anchorage, Mat-Su, Kenai-Kodiak, Valdez-Copper River, Haines, and the Southwest Area offices. Northern Zone, located in Fairbanks, oversees the Fairbanks, Delta and Tok Area offices.

The Division has consolidated its logistics, and warehousing into statewide operations as part of restructuring brought about by budget reductions. This restructuring has added additional responsibility to the two zone offices in managing statewide fire operations. The two offices currently work out of several locations including older buildings with inadequate office space. There are some significant cost savings and built-in efficiencies by consolidating the operation and functions of the two offices into modern, manageable facilities and a centralized location.

### **South Zone Consolidation**

#### **Why Project is Needed: (Current Situation)**

There are two objectives of the fire program consolidation project: The first is to combine all of the South Zone fire management program functions including aviation, Palmer Base retardant site, Eagle River equipment shop and warehouse, logistics and management into a centrally located facility. The second objective is to provide a more publicly accessible work location for the Anchorage Mat-Su Area Office, currently located at Big Lake.

Consolidating the South Zone fire management functions at a central location will significantly improve the overall management of the South Zone key program components (warehousing, logistics, equipment maintenance and aviation). It is anticipated that major improvements in coordination will occur, duplication of tasks will be eliminated, travel time will be reduced, the number of accidents will be lowered, and productivity will be improved significantly (along with employee morale). Currently, the functional units are scattered between the Frontier Building, Eagle River and Palmer. This has made supervision, communications and coordination between the offices a real challenge.

The Anchorage/Mat-Su Area office (AMSAO) will benefit in the same ways as the Zone office (outlined above). The public will benefit immensely from improved access to the office. Both the fire and resource management programs will be more accessible. The current location, which is 8.2 miles off the Parks Highway, has been very unpopular with the public and marginally accessible during part of the winter. It is actually located past the cut-off for state road maintenance.

The South Zone maintains offices and facilities in Anchorage (at the Frontier Building), Eagle River (off the frontage road near Hilland Road), and Palmer (airport) to carry out its obligation to provide wildland fire protection services. Anchorage Mat-Su Area maintains offices and facilities in Big Lake and Palmer to provide fire control activities in its protection area. Response from these facilities are primarily to human caused fires in the populated urban interface areas of Southcentral Alaska. Office and facility purpose are summarized as follows:

#### Anchorage (Frontier Building)

This office provides zone-wide program direction, policy guidance, management of fire support facilities, and contract administration. This is the coordination point between the geographic areas of the Mat-Su Valley, Kenai Peninsula-Kodiak Island, Copper River Basin and Southwestern Alaska for the allocation of suppression resources. Current office space costs \$2.15 per square foot. Lease arrangements for this space have been renewed, however, there are options for vacating the space currently occupied.

#### Eagle River

South Zone maintains a warehouse and shop facility to support area field operations. Additional equipment and supplies are routinely transported as air cargo when fire activity exceeds the limited capabilities of area field office warehouses. An average of 500,000 pounds of cargo is moved from this facility each year.

Because the facility is not located adjacent to a major airport, tools, supplies, food and equipment must be transported by vehicle to and from an airport. Anchorage International Airport is 18 miles from the facility. The Palmer Airport is 30 miles away and is often used as the departure point because airtankers can be more safely based in less congested airspace. Security at Eagle River has historically been a problem

due to its isolated location. An estimate of the value of lost, stolen and damaged equipment, facilities and other miscellaneous items is \$15.0 per year. Current inventory value of the equipment and supplies housed at the facility is \$ 1.5 million. The equipment repair shop at Eagle River maintains fire vehicles, pumps, saws, and other fire related equipment to support the areas in South Zone.

### Palmer

South Zone maintains a dispatch center and air attack base located at Palmer Municipal Airfield. The site is essential to the division's capability to provide air attack and fire retardant aircraft support to fires within the greater Anchorage area, the Mat-Su Valley and the Kenai Peninsula. 44,000 gallons of retardant are delivered and dropped on fires from the site annually. During periods of high fire danger smoke jumpers are also stationed at the base. Ramp space is made available to park rental and contract aircraft. Office space and ramp space for the retardant site are leased from a private vendor.

Anchorage Mat-Su area operates its initial attack engine and helitack operations from the Palmer airport. The area is currently using a surplus trailer house for its operations that is without water or sewer for the firefighters positioned there.

### Big Lake

Initial Attack forces (fire engines and helitack) are managed by the Anchorage Mat-Su Area Office located 8.2 miles west of the Parks Highway and 20 miles northwest of Wasilla. The office has poor access for the public and is too isolated for an initial attack base. The current office does not completely meet the Americans for Disabilities Act (ADA) regulations and is too small for the area dispatch/logistics function. The area responded to 100 fires in 1995 and issues 1,025 burning permits annually. The area moved its helitack operations to the Palmer Airport in 1993.

Management of wildland fires is difficult enough without the added burden of inadequate facilities. The Anchorage Mat-Su Area could serve the 49,000 residents of the protection area better if dispatch/logistics and initial attack operations were consolidated at the Palmer Airport. It may be prudent to move the entire area operation to Palmer to facilitate better service to the public.

The South Zone Office needs to consolidate its operations from three locations to one. This move will aid in the management of the zone's activities and will be more cost effective. The building of one facility at Palmer will enable both the zone and area office to operate more efficiently and serve the public better.

Project Support/Position

The public and employees who use the facilities will support consolidation. The City of Palmer is supportive as it would increase the local market to supply fire fighting commodities, provide additional job opportunities and increase use of local restaurants and motels. A DOF analysis provides a more in-depth look at the impact on the Palmer economy. A copy of the summary is included in the appendix labeled as "Expenditure Potential for Palmer and Vicinity". A breakdown of the dollars is as follows (thousands of dollars):

Personal Services .....	\$1,623.0
Travel .....	56.6
Contractual .....	523.6
Supplies .....	127.8
Equipment .....	79.9
 TOTAL .....	 \$2,410.9

It is readily apparent that the DOF consolidation will increase the State's economic contribution to the Palmer economy.

Additional Support: Because the division provides fire protection on lands in federal ownership on a reimbursable basis, the federal government will support the lowered cost of suppression support expenses. No opposition is anticipated.

Structure Fire Districts and the Municipality of Anchorage will support the project. The division provides helicopter and retardant support to these organizations through agreements. Improved operations within the division translates into an improved ability to support joint fire suppression operations.

## Anticipated Cost Savings

There are some notable cost savings that will be realized, besides the intangible benefits outlined under general impacts (above). The following areas were considered in some detail:

1. Shipping/Freight Handling Costs: Consolidation may not seem to result in much of a savings in this area. However, if incoming freight is shipped FOB Palmer, there could be considerable savings in handling and freight costs.

2. Risk Management Charges: A savings will be realized in risk management charges which are incurred for each facility. This will result in the following savings (thousands of dollars):

Eagle River Warehouse & Shop .....	\$3.6
Big Lake Facility .....	.4
TOTAL .....	\$4.0

3. Reduced Employee (EFF) Costs: Some reduction in the number of employees is anticipated. Two expeditors (drivers) would not be needed at South Zone as often due to the consolidated work location. This could result in a savings of about \$20.0 thousand annually. An additional EFF (emergency firefighter) employee could be eliminated at Big Lake for a savings of about \$10.0.

4. Reduced Vehicle Requirements: A minor reduction in the fleet size is anticipated. An estimated \$2.4 thousand will be realized at South Zone, and \$1.2 at Big Lake for a combined savings of \$3.6.

5. Facilities Maintenance: A significant savings in facilities maintenance will be realized. Both the Big Lake facility and the Eagle River facility have required significant upgrades and continuous high cost maintenance. Savings realized:

### Big Lake Facility

Janitorial Services .....	\$.8
Snowplowing .....	.5
Other Snow Removal Costs .....	.2
Commodities (light bulbs, supplies, etc.) .....	.8
Lumber, Electrical & Plumbing supplies .....	2.5
Septic Pumping .....	.6
Paint and Finishing Supplies .....	.6
Pipe & Sewer Thawing .....	.3
Carpet Cleaning .....	.2
Landfill Fees .....	.2
Equipment Replacement .....	1.0
Gas & Equipment Supplies .....	.4
TOTAL .....	\$ 8.1

Eagle River Facility

Janitorial Supplies .....	\$ .2
Snowplowing .....	1.5
Other Snow Removal Costs .....	.4
Commodities (light bulbs, supplies, etc.) .....	2.7
Lumber, Electrical & Plumbing supplies .....	6.0
Septic Pumping .....	.6
Paint and Finishing Supplies .....	.6
Pipe & Sewer Thawing .....	1.0
Parts and Supplies .....	3.7
Landfill Fees .....	.6
Equipment Replacement .....	.5
Gas & Equipment Supplies .....	.4
TOTAL .....	<u>\$ 20.2</u>

6. Underground storage tank facilities: The fuel tank mitigation costs are for underground fuel storage, which is currently not regulated by EPA or DEC for replacement. Both indicate that they anticipate regulation in the near future, which will require initial and annual testing. From our experience with aviation fuel and leaking tanks, plus the age of our underground fuel tanks, replacement with above ground tanks is a priority with or without regulation. The cost to remove the tanks would be required with or without the Palmer move, but the replacement costs are for double walled tanks installed to specifications (assuming they are similar to aviation fuel). This may be one of the larger benefits of consolidation. This may save \$20.0 thousand (or more) at Eagle River and Big Lake initially. The reduced exposure from past events (resulting from having fewer tanks) may be more significant but difficult to assess in dollar value. Fuel spills have cost other agencies hundreds of thousands of dollars and the opportunity to sidestep this risk is very attractive. The in-place fuel vendors at Palmer Airport are very supportive of this proposal.

7. Ramp/Office Space Rental: This will be a savings after the new facilities are completed. Annually, this will save about \$27.0.

8. Aircraft Storage Costs: Eliminating aircraft hangar rental and tie-down charges for FEPP aircraft will save \$28.8 thousand annually.

9. Reduced Office Space Costs in Frontier Building: The South Zone fire management offices currently occupy approximately 4,200 square feet of space at a cost of about \$2.15 per foot per month. A net savings of about \$103.2 thousand per year will be realized.

10. Travel Costs: Costs for travel between the various offices are difficult to estimate, however, a significant gain in overall management efficiency is anticipated.

11. Facilities upgrade options: There is one significant facilities upgrade option planned, the Big Lake Area Office, which is currently located in two residential type buildings. A conservative estimate of the replacement cost of the two facilities is \$450.0. This does not include the Palmer Initial Attack Base and Area Shop/Warehouse. Replace all facilities, including out buildings, etc., will cost \$1,759.0 thousand.

12. Total Savings: The following table illustrates the overall savings from consolidation (refer to "Cost Savings" in the Appendix):

Annual savings .....	\$282.9
FY 95 Savings .....	24.8
FY 96 Savings .....	257.5
FY 97 Savings .....	<u>1,759.0</u>
 * PROJECTED 20 YEAR SAVINGS .....	 \$7,699.3

\*annual savings times 20 years plus FY 95-97 savings

### **CONSOLIDATED FACILITY NEEDS**

Space needs analysis: The DOF completed a space needs analysis for the proposed consolidated facility. A break down of the needs analysis is summarized below. The complete spreadsheet is included in the Appendix, entitled "Initial Space Request".

Administrative Office Space .....	16,041.2 sq.ft.
MSAO Fire Station (Operations) .....	7,805.0 "
Maintenance Facility (Shop) .....	21,885.0 "
Warehouse .....	9,411.0 "
MSAO Helibase .....	1,141.0 "
Aviation Office .....	4,403.0 "
Hangar .....	18,400.0 "
TOTAL .....	79,086.2 sq.ft.

The DNR Division of Parks and Outdoor Recreation (DOPOR), Design and Construction Section, completed a purely conceptual sketch of the proposed facility which is included in the appendix. Additional ramp space designed to support heavy aircraft (greater than 12,500 pounds) as well as parking areas for employees and equipment will also be needed. The warehouse and shop will have specialized needs for tractor-trailer parking/loading areas and a small fuel storage area for filling drip torches, pumps, etc., will also be necessary.

It is anticipated that more comprehensive plans and design work will commence upon initial approval of the project. The many details surrounding a proposal of this magnitude will be addressed in that phase of the project.

Cost Current estimates of the facility cost vary depending on costing out the necessary site improvements, such as the ramp area, parking and other related needs. It is expected that most of these costs can be incorporated into planned airport improvement projects planned for the next few years. A good estimate by local engineers puts the building cost at **6 million dollars**.

## CONCLUSION

The consolidated South Zone Fire Management Facility stands on its own as a good business move for the Division of Forestry and the City of Palmer. From a cost savings viewpoint, consolidation appears to be cost effective. More efficient and economic operations will result under consolidated work locations. The intangible benefits may actually outweigh the cost savings benefits. The question should not be "Can we afford this facility?", but one of "How long can we continue to operate in the inefficient manner in which we have been forced to do business?"

CITY OF PALMER, ALASKA

RESOLUTION NO. 1049

A RESOLUTION SUPPORTING ALASKA STATE DIVISION OF FORESTRY  
CONSOLIDATION PROJECT AT THE PALMER MUNICIPAL AIRPORT.

WHEREAS, the Alaska State Division of Forestry proposes to consolidate its operations from Eagle River, Anchorage, Big Lake, and existing operations at Palmer, and

WHEREAS, the Alaska State Division of Forestry has researched the proposed project and has determined it will increase the overall efficiency and effectiveness of this operation, and

WHEREAS, the Alaska State Division of Forestry has determined that by doing this consolidation it will save in operating expenses \$8.9 million, and

WHEREAS, the City of Palmer does have undeveloped land available at its airport site for a project such as this.

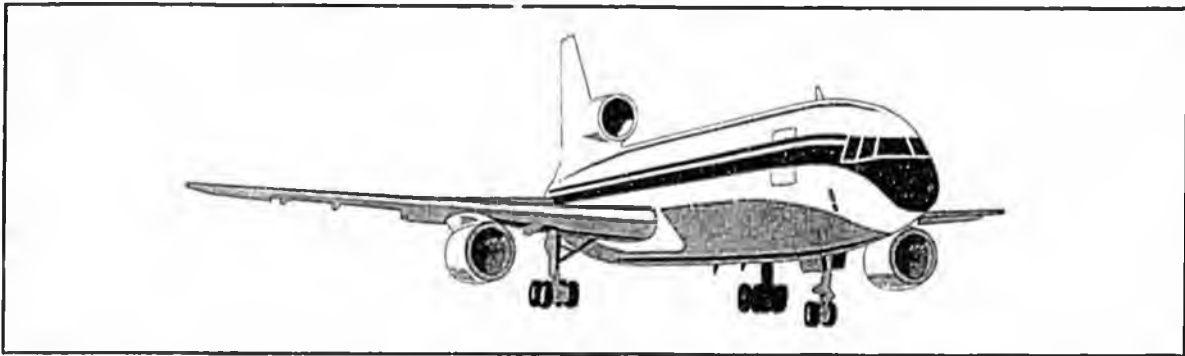
NOW, THEREFORE, BE IT RESOLVED that the City of Palmer supports the Alaska State Division of Forestry proposal to consolidate its operations at the Palmer Municipal Airport site.

BE IT FURTHER RESOLVED that the City of Palmer will work closely with the Division for this project's success including the issuance of "Certificates of Participation" by the City of Palmer and backed by the State of Alaska.

Passed and approved by the Palmer City Council this 28<sup>th</sup>  
day of March, 1995.

  
\_\_\_\_\_  
GEORGE W. CARTE, MAYOR

  
\_\_\_\_\_  
DANIEL M. CONTINI, ACTING CITY CLERK



### *Palmer Municipal Airport*

The Palmer Municipal Airport, 40 road-miles from Anchorage is close to the Glenn Highway and connected by spur to the Alaska Railroad.

Runway #15-33 is 6,000' long by 100' wide and Paved with exit and apron taxiways. Runway #9-27 is 3615' by 100' and is also paved. It has a full parallel taxiway.

There are two apron areas: one on the northwest side which is designed to provide general aviation tie-downs and serves fixed-base operators; the second apron on the south and southwest end of the runway serves heavier cargo operations and industrial operators.

There are 105 tie-down spaces. Transient parking fees are \$2.00 per day. Monthly tie-down fees on pavement are \$15.00. Covered hangar space is available from private operators. Downtown Palmer is 2 miles from the airport.

Developed lots including sewer and water are available for lease from the city of Palmer for \$0.04 per square foot annually. Larger, yet undeveloped areas are also available and will be developed on demand in cooperation with the lessor.

The following Companies are presently located at the Palmer Airport:

**HINCHINBROOK CHEVRON**  
Transient Tie downs & Service  
Plug-ins. Preheat  
Rental Vehicles  
Hangar Space  
24-hour credit-card aviation fuel

**B&J CUSTOM AIRCRAFT ENGINES**  
Aircraft Engine Repair

**AIRCRAFT PAINTING CENTER**  
Complete Aircraft Painting Service  
Aircraft Maintenance

**NUGGET AVIATION**  
Flight Service. Flight School  
Aviation Fuel

**WOODS AIR**  
Air transportation for cargo and passengers  
Specialized cargo service.

**GALLAGHER ELECTRIC**  
Electric contracting in rural Alaska

**GLACIER AIRCRAFT PARTS**

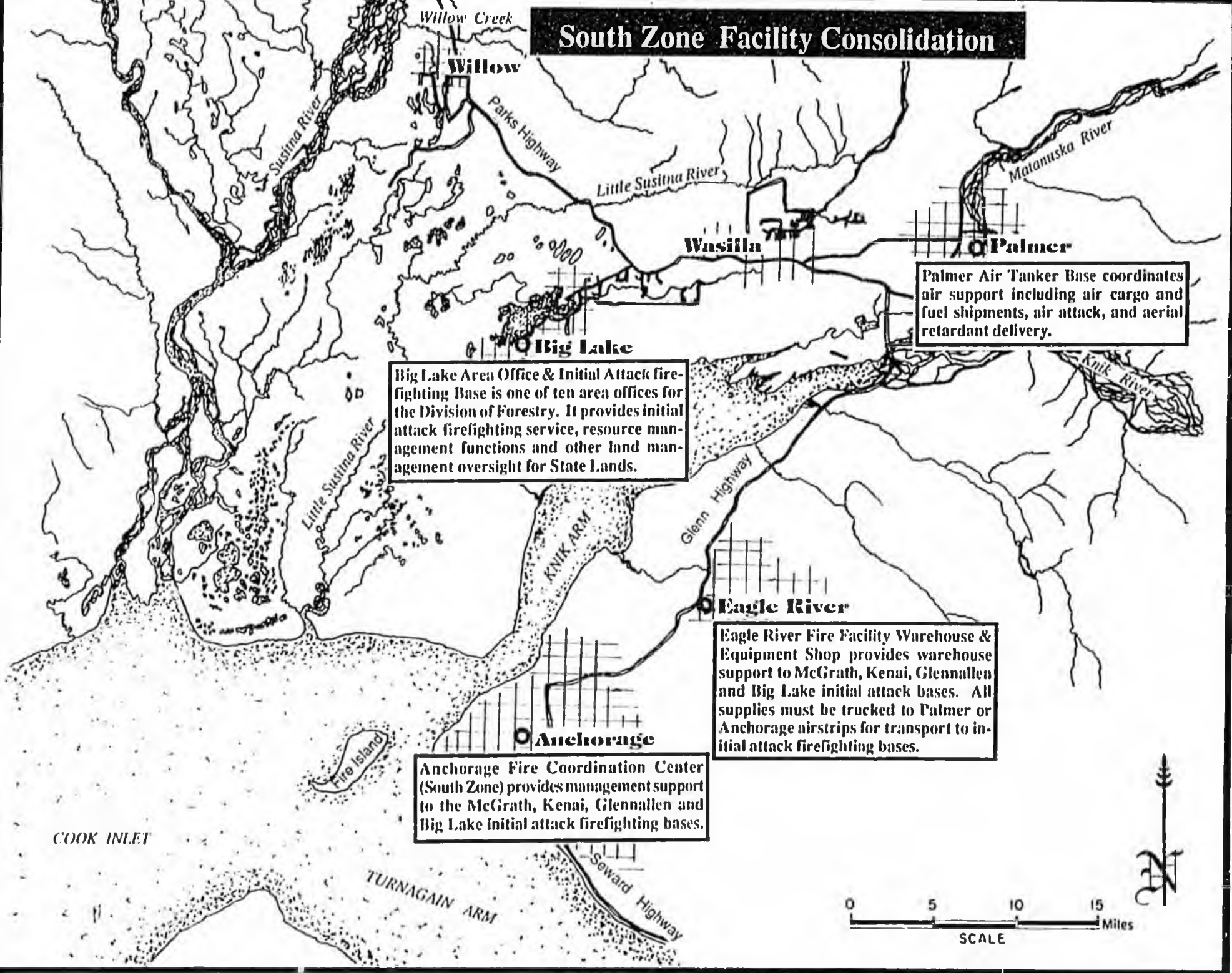
**NEW HORIZON CONSTRUCTION**

**NORTH STAR FUEL**

**ALASKA MAN FLIGHT  
SERVICE**

**SKY PRO FLIGHT SERVICE**

# South Zone Facility Consolidation

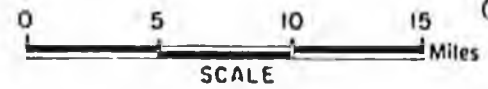


Palmer Air Tanker Base coordinates air support including air cargo and fuel shipments, air attack, and aerial retardant delivery.

Big Lake Area Office & Initial Attack fire-fighting Base is one of ten area offices for the Division of Forestry. It provides initial attack firefighting service, resource management functions and other land management oversight for State Lands.

Eagle River Fire Facility Warehouse & Equipment Shop provides warehouse support to McGrath, Kenai, Glennallen and Big Lake initial attack bases. All supplies must be trucked to Palmer or Anchorage airstrips for transport to initial attack firefighting bases.

Anchorage Fire Coordination Center (South Zone) provides management support to the McGrath, Kenai, Glennallen and Big Lake initial attack firefighting bases.



## EXPENDITURE POTENTIAL FOR PALMER AND VICINITY

CC DESCRIPTIONS

FY95 ACTUALS IN THOUSANDS

	PERSONAL	SERVICES	TRAVEL	CONTRACTUAL	SUPPLIES	EQUIPMENT	TOTAL
5630							
Presuppression AMAO		387.1	1.4	39.1	29.2	7.0	463.8
1131							
Reforestation AMAO				7.4	8.0		15.4
0635							
SML Timber Sales AMAO		30.8		9.0	3.3		43.6
0636							
Forest Stewardship AMAO		22.4		1.1	0.9		24.4
0637							
Forest Practices AMAO		61.1	8.4	2.0	0.4		71.9
0332							
ASD Student Intern Program		37.3	0.3	4.1	5.6		47.3
0330							
Presuppression South Zone		377.0	3.2	110.5	5.3	36.1	532.1
0331							
Presuppression SZ Admin			2.9	10.8	4.1	18.7	36.5
0336							
Presuppression SZ Shop				17.5	24.6	1.2	43.3
0337							
Presuppression SZ Warehouse			1.2	1.6	5.2		8.0
8417 (EST)							
Presuppression SZ Fed		37.0	2.1	0.2	0.4		39.7
8411 (EST)							
Forest Stewardship SPST		45.6	2.0	8.0	0.5		56.1
0132							
Presuppression Ak Fire Mgmt		82.0	2.0	10.1	0.4	5.4	99.9
0135							
Presuppression SW Training		0.1	12.9	16.8	3.4	0.2	33.4
0334							
Presuppression Logistics			2.3	3.4	3.0	4.3	13.0
17033							
EFF Crew Payroll		155.0					155.0
Overhead and Crew Subsistence (EST)				100.0			100.0
36501							
Suppression AMAO		211.7	1.0	149.9	12.7		375.3
0233							
Southern Aviation			1.0	5.9	13.4		20.3
0139							
Fire Aviation Pers		175.9	1.9	26.2	6.9	7.0	231.9
<b>TOTAL</b>		<b>1623</b>	<b>56.6</b>	<b>523.6</b>	<b>127.8</b>	<b>79.9</b>	<b>2410.9</b>

## COST SAVINGS

### Palmer Consolidated Facilities

<u>Fiscal Year</u>	<u>Item</u>	<u>Savings</u>
Annual	Eliminate Hangar charges for State (FEPP) Aircraft . . .	28.8
Annual	Eliminate ramp and office space at Palmer . . . . .	27.0
Annual	South Zone: reduce office space costs in Frontier Building 4,000 sq. ft. at \$2.15/sq. ft. /month Annual savings . . .	103.2
Annual	Two expeditors (drivers) at South Zone . . . . .	20.0
Annual	One EFF employee at Big Lake . . . . .	10.0
Annual	Eagle River shop, whse and storage risk mgt chgs . . . .	3.6
Annual	Eagle River Facility maintenance and repair (general) . .	47.0
Annual	Big Lake Facility maintenance and repair (general) . . .	3.3
Annual	Big Lake shop, office and whse risk mgt chgs . . . . .	0.4
Annual	One FEPP vehicle can be eliminated at Big Lake . . . .	1.2
Annual	Reduced vehicle operating costs in South Zone . . . . .	2.4
Annual	Eagle River 6 mo wages for maintenance worker . . . . .	21.0
Annual	Reduced losses from theft, damage . . . . .	<u>15.0</u>
	ANNUAL TOTAL . . . . .	\$282.9
1995	Big Lake facility savings by not installing new fuel tank and system . . . . .	20.0
1995	Eagle River upgrade electrical service in grey building . . . . .	2.0
1995	Eagle River add crushed rock (D-1) to driveway . . . . .	2.0
1995	Eagle River repair footings in front of grey bldg . . . . .	<u>0.8</u>
	1995 TOTAL . . . . .	\$ 24.8
1996	Add insulation to Eagle River shop interior walls . . . .	1.5
1996	Sewer line assessment cost for Eagle River . . . . .	151.0
1996	Construct Eagle River vehicle storage unit (cover) . . . .	20.0
1996	Security fencing for shop complex . . . . .	75.0
1996	Install electrical service to Eagle River facility gas shed	5.0
1996	Extend roof eaves on E.R. warehouse to eliminate glaciation	<u>5.0</u>
	1996 TOTAL . . . . .	\$257.5
1997	Big Lake Office construction (replacement) . . . . .	<u>\$1,759.0</u>
	TOTAL . . . . .	<u>\$1,759.0</u>

INITIAL SPACE REQUEST

		Space for	WTB1 36x72	WTA1 30x60	PSB1 30x48	CTA1 48x72	FVA2--5 15x60	FVB4--5 18x60	FLA2--3 54x32	CSA1 51x33	BCC4 13x48	SCA2 36x36	other	
Employee	PCN	PCN	table	table	printers & tables	computer tbl w/ch	file cab letter	file cab legal	file cab lateral	reg/visit chairs	book- case	storage cabinets	specialty equip	total
sq ft allowed			61.0	38.0	20.0	24.0	8.0	9.0	10.0	12.0	16.0	12.0		
P Kelley-Aiken	9161					1.0								
		98	0.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	122.0
Adm EFF				1.0						1.0				
w/fax			0.0	38.0	0.0	0.0	0.0	0.0	0.0	12.0	0.0	0.0	6.0	56.0
D Winter	9219				3.0	1.0		7.0	1.0	1.0		2.0	1.0	
w/pub counter		64	0.0	0.0	60.0	24.0	0.0	63.0	10.0	12.0	0.0	24.0	50.0	307.0
Clerical EFF						1.0							1.0	
			0.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	74.0
Mail station			1.0											
			61.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.7	94.7
Forms											2.0			
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	32.0	0.0	6.7	38.7
Smokey display													1.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.0	22.0
I Hazlett	9654		1.0			2.0	2.0		2.0			1.0	1.0	
w/cooler PC1		98	61.0	0.0	0.0	48.0	16.0	0.0	20.0	0.0	0.0	12.0	30.0	285.0
EFF A/Px2				2.0	1.0	1.0				4.0				
			0.0	76.0	20.0	24.0	0.0	0.0	0.0	48.0	0.0	0.0	0.0	168.0
EFF Medivac				1.0		1.0				2.0				
			0.0	38.0	0.0	24.0	0.0	0.0	0.0	24.0	0.0	0.0	0.0	86.0
EFF Commisx2			1.0	2.0		1.0				4.0			1.0	
w/storage locking			61.0	76.0	0.0	24.0	0.0	0.0	0.0	48.0	0.0	0.0	120.0	329.0
L Abruzzino	9094					2.0	2.0		2.0			1.0	2.0	
w/printouts		98	0.0	0.0	0.0	48.0	16.0	0.0	20.0	0.0	0.0	12.0	28.9	222.9
Files store A/P													1.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	36.0	36.0
Safe													1.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	8.0
Recycle x6													6.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	28.0	28.0
War room/vcr												1.0		
30 people			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	660.0	672.0
Boards/maps													5.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	120.0	120.0
Frig/micro/sink													1.0	
adjacent to war rm			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	77.0	77.0
training room														
for 36 people			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	992.0	992.0

INITIAL SPACE REQUEST

Employee	PCN	Space	WTB1	WTA1	PSB1	CTA1	FVA2--5	FVB4--5	FLA2--3	CSA1	BCC4	SCA2	other	total
		for	36x72	30x60	30x48	48x72	15x60	18x60	54x32	51x33	13x48	36x36	specialty	
sq ft allowed		PCN	table	table	printers & tables	computer tbl w/ch	file cab letter	file cab legal	file cab lateral	reg/visit chairs	book- case	storage cabinets	equip	
Copier large w/paper storage 220 v PC3			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	172.0
step-test arca			0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	1.0	110.0
John See	9112					1.0			10.0	0.0	0.0	0.0	1.0	182.0
		132	0.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	16.0	0.0	10.0	278.0
M Monsen/w fax & EFF & parts receiving area	9718		0.0	0.0	1.0	1.0	2.0	1.0	0.0	1.0	0.0	2.0	1.0	278.0
		98	0.0	0.0	20.0	24.0	16.0	9.0	0.0	12.0	0.0	24.0	75.0	66.0
drafting STA1			0.0	0.0	0.0	0.0	0.0	18.0	0.0	0.0	0.0	0.0	48.0	66.0
print & equip								1.0			3.0		1.0	61.9
			0.0	0.0	0.0	0.0	0.0	9.0	0.0	0.0	48.0	0.0	4.9	61.9
D Dehart	9226				1.0	1.0			1.0	2.0			1.0	222.0
w/light tbl STC1		122	0.0	0.0	20.0	24.0	0.0	0.0	10.0	24.0	0.0	0.0	22.0	222.0
shared J Carlson	9444					1.0					2.0	2.0		202.0
Cruickshanks	9012	122	0.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	32.0	24.0	0.0	202.0
C Forrest-Elkins	9227					1.0	1.0	1.0			4.0		5.0	247.0
training library		122	0.0	0.0	0.0	24.0	8.0	9.0	0.0	0.0	64.0	0.0	20.0	247.0
D Ricker	9474					1.0			1.0				1.0	164.0
		122	0.0	0.0	0.0	24.0	0.0	0.0	10.0	0.0	0.0	0.0	8.0	164.0
R Hart	9486									1.0	1.0	1.0		160.0
		120	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	16.0	12.0	0.0	160.0
M Johannes	9228									1.0	1.0			150.0
		122	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	16.0	0.0	0.0	150.0
M Wade	9745									1.0	1.0			148.0
		120	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	16.0	0.0	0.0	148.0
Logistics					1.0	1.0		3.0			3.0		2.0	127.0
			0.0	0.0	20.0	24.0	0.0	27.0	0.0	0.0	48.0	0.0	8.0	127.0
Locking gun storage													1.0	50.0
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	50.0
Log Comp Tbl work station EFF			0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	76.0
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	0.0	0.0	64.0	76.0
Log Conf CR3B													1.0	150.0
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	150.0	150.0
Log Tel/Radio work station			0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	1.0	37.5
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	0.0	0.0	25.5	37.5
Log fax													1.0	8.0
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	8.0

INITIAL SPACE REQUEST

Employee	PCN	Space	WTB1	WTA1	PSB1	CTA1	FVA2--5	FVB4--5	FLA2--3	CSA1	BCC4	SCA2	other	total
		for	36x72	30x60	30x48	48x72	15x60	18x60	54x32	51x33	13x48	36x36	other	
sq ft allowed		PCN	table	table	printers & tables	computer tbl w/ch	file cab letter	file cab legal	file cab lateral	reg/visit chairs	book- case	storage cabinets	specialty equip	
Log map files			61.0	38.0	20.0	24.0	8.0	9.0	10.0	12.0	16.0	12.0	3.0	
MIA1			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	108.0	108.0
Coat Rack x 3													3.0	
MID1			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	36.0	36.0
FSvcTech x2					3.0				2.0	3.0			2.0	
			0.0	0.0	60.0	0.0	0.0	0.0	20.0	36.0	0.0	0.0	100.0	216.0
EFF work stax3					3.0		2.0		2.0	2.0			3.0	12.0
			0.0	0.0	60.0	0.0	16.0	0.0	20.0	24.0	0.0	0.0	105.8	225.8
Maps/boards													4.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	71.3	71.3
Commo room														
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	120.0	120.0
Storage room														1.0
12x30 S Bear & Log			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	360.0
w/microf MCA1													1.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.0	12.0
C Graham	9002					1.0							1.0	
		132	0.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	12.0	0.0	168.0
F Malotte	9372			1.0		1.0							1.0	
w/extra wk sta		132	0.0	38.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	202.0
vac Fil	9742					1.0								
		122	0.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	146.0
R. Russell	3067			1.0		1.0				2.0				
		64	0.0	38.0	0.0	24.0	0.0	0.0	0.0	24.0	0.0	0.0	0.0	150.0
A Webber-Sword	9195			1.0	1.0	2.0				2.0				
		98	0.0	38.0	20.0	48.0	0.0	0.0	0.0	24.0	0.0	0.0	0.0	228.0
Repair station			2.0											
w/storage area			122.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	48.0	170.0
D Brown	9022			2.0		1.0				4.0	2.0			
		132	0.0	76.0	0.0	24.0	0.0	0.0	0.0	48.0	32.0	0.0	0.0	312.0
Conference Room													1.0	
CR5 + boards			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	270.0	270.0
L Burns	9354			1.0	1.0	1.0		5.0	1.0	1.0		2.0	1.0	
w/wood sales counter		64	0.0	38.0	20.0	24.0	0.0	45.0	10.0	12.0	0.0	24.0	68.1	305.1
Reception													1.0	1.0
RA3		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	144.0	144.0
Copier Med w/paper													2.0	
storage PC2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	114.0	114.0

INITIAL SPACE REQUEST

Employee	PCN	Space for PCN	WTB1 36x72 table	WTA1 30x60 table	PSB1 30x48 printers & tables	CTA1 48x72 computer tbl w/ch	FVA2--5 15x60 file cab letter	FVB4--5 18x60 file cab legal	FLA2--3 54x32 file cab lateral	CSA1 51x33 reg/visit chairs	BCC4 13x48 book- case	SCA2 36x36 storage cabinets	other specially equip	total
sq ft allowed			61.0	38.0	20.0	24.0	8.0	9.0	10.0	12.0	16.0	12.0		
vacant	9374		1.0		1.0	1.0				1.0		1.0	1.0	
w/library 4x12		132	61.0	0.0	20.0	24.0	0.0	0.0	0.0	12.0	0.0	12.0	48.0	309.0
L Greenough	9489		1.0			1.0			2.0		3.0			
		122	61.0	0.0	0.0	24.0	0.0	0.0	20.0	0.0	48.0	0.0	0.0	275.0
S Strube	9426					1.0			2.0	1.0	1.0			
		122	0.0	0.0	0.0	24.0	0.0	0.0	20.0	12.0	16.0	0.0	0.0	194.0
L Wilcock	9224				1.0	1.0			2.0	2.0	1.0	1.0		
		122	0.0	0.0	20.0	24.0	0.0	0.0	20.0	24.0	16.0	12.0	0.0	238.0
R Limbean	9710			1.0	1.0	1.0					1.0			
		98	0.0	38.0	20.0	24.0	0.0	0.0	0.0	0.0	16.0	0.0	0.0	196.0
C Olson	9231		1.0			1.0			2.0	4.0	1.0	2.0		
		122	61.0	0.0	0.0	24.0	0.0	0.0	20.0	48.0	16.0	24.0	0.0	315.0
P Winn	9450				1.0	2.0				1.0	5.0			
dispatch		98	0.0	0.0	20.0	48.0	0.0	0.0	0.0	12.0	80.0	0.0	0.0	258.0
A Jurgens	9744		1.0			1.0								
w/radio table		98	61.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	183.0
T Smada	9464		1.0		1.0	1.0				2.0	1.0	1.0		
w/lty table		98	61.0	0.0	20.0	24.0	0.0	0.0	0.0	24.0	16.0	12.0	0.0	255.0
dispatch EFF x 3				1.0	2.0	3.0			1.0				3.0	
w/computers			0.0	38.0	40.0	72.0	0.0	0.0	10.0	0.0	0.0	0.0	150.0	310.0
Work Area													2.0	
WTB4 x 2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	176.0	176.0
w/map files													3.0	
MIA1			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	108.0	108.0
Conference Room													1.0	
CR3B + boards			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	180.0	180.0
Coffee KEB1													1.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	41.0	41.0
Copier Med x 2													2.0	
PC2w/paper storage			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	144.0	144.0
File Room								4.0	2.0			8.0	1.0	
w/fax			0.0	0.0	0.0	0.0	0.0	36.0	20.0	0.0	0.0	96.0	12.0	164.0
Storage 10x30													1.0	
MSAO			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	300.0	300.0
Office totals		3194												13,367.7
20% access														2,673.5
Office total w/ access														16,041.2

**INITIAL SPACE REQUEST**

		Space for	WTB1 36x72	WTA1 30x60	PSB1 30x48	CTA1 48x72	FVA2--5 15x60	FVB4--5 18x60	FLA2--3 54x32	CSA1 51x33	BCC4 13x48	SCA2 36x36	other	
Employee	PCN	PCN	table	table	printers & tables	computer tbl w/ch	file cab letter	file cab legal	file cab lateral	reg/visit chairs	book- case	storage cabinets	specialty equip	total
sq ft allowed			61.0	38.0	20.0	24.0	8.0	9.0	10.0	12.0	16.0	12.0		
<b>MSAO fire station</b>													1.0	
4 bays 18x50x4			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3200.0	3,200.0
Initial attack briefing													1.0	
30 people			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	660.0	660.0
Student intern/EFF													1.0	
30 people			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	660.0	660.0
toilet/mens x 2													2.0	
TL4 + 2 urinals			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	366.0	366.0
toilet/womens x 2													2.0	
TL4-ur+1 toilet/sink			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	332.0	332.0
toilets w/showers													3.0	
TL3 x 3			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	327.0	327.0
locker room													60.0	
w/60 lockers			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	900.0	900.0
storage													1.0	
parts/supplies			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	300.0	300.0
equip cleaning area													1.0	
20x50			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1000.0	1,000.0
coffee/break													1.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.0	60.0
<b>MSAO fire station totals</b>														7,805.0
<b>MSAO fire sta total w/ access</b>														7,805.0

**INITIAL SPACE REQUEST**

Employee	PCN	Space for	WTB1	WTA1	PSB1	CTA1	FVA2--5	FVB4--5	FLA2--3	CSA1	BCC4	SCA2	other	total
		PCN	36x72 table	30x60 table	30x48 printers & tables	48x72 computer tbl w/ch	15x60 file cab letter	18x60 file cab legal	54x32 file cab lateral	51x33 reg/visit chairs	13x48 book-case	36x36 storage cabinets	specialty equip	
sq ft allowed			61.0	38.0	20.0	24.0	8.0	9.0	10.0	12.0	16.0	12.0		
<b>Maintenance Facility</b>														
Shop complex													1.0	
60x120 specs attached			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7200.0	7,200.0
add 1 story and 2nd story storage and fire offices			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6344.0	6,344.0
MSAO shop space			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1080.0	1,080.0
pole shed 16 x 200			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3200.0	3,200.0
fuel storage 14 x 40			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	560.0	560.0
gas & oil storage			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	576.0	576.0
<b>Maintenance Shop Totals</b>														18,960.0
20% access														2,925.0
<b>Maintenance Shop total w/ access</b>														21,885.0
<b>Warehouse</b>														
replace ERFF			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4200.0	4,200.0
MSAO warehouse space			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	400.0	400.0
A Hibpsman	9488		1.0		2.0	2.0			4.0	4.0	2.0	3.0	1.0	
w/med copier		98	61.0	0.0	40.0	48.0	0.0	0.0	40.0	48.0	32.0	36.0	42.0	445.0
E Cole	9756			1.0	1.0				1.0	1.0	1.0			
position office sp		98	0.0	38.0	20.0	0.0	0.0	0.0	10.0	12.0	16.0	0.0	0.0	194.0
4 EFF clerical			1.0	4.0	1.0	1.0	2.0		1.0	4.0		1.0	4.0	
office space			61.0	152.0	20.0	24.0	16.0	0.0	10.0	48.0	0.0	12.0	200.0	543.0
receiving & refurb													1.0	
32x40 2 story			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2560.0	2,560.0
toilet/mensx2													2.0	
TL4 + 2 urinals			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	366.0	366.0
toilet/womens													1.0	
TL4-ur+2 toilets/sinks			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	215.0	215.0
toilets w/showers													2.0	
TL3			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	158.0	158.0
briefing area for 15 EFF			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	330.0	330.0
<b>Warehouse totals</b>		196.0												9,411.0
<b>Warehouse total w/ access</b>														9,411.0

**INITIAL SPACE REQUEST**

Employee	PCN	Space for PCN	WTB1	WTA1	P3B1	CTA1	FVA2-5	FVB4-5	FLA2-3	CSA1	BCC4	SCA2	other	total
			36x72 table	30x60 table	30x48 printers & tables	48x72 computer tbl w/ch	18x60 file cab letter	18x60 file cab legal	54x32 file cab lateral	51x33 reg/visit chairs	13x48 book- case	36x36 storage cabinets	specialty equip	
sq ft allowed			61.0	38.0	20.0	24.0	8.0	9.0	10.0	12.0	16.0	12.0		
MSAO helibase						1.0		2.0		2.0			1.0	
FTIII w/radio/copier	9439	122	0.0	0.0	0.0	24.0	0.0	18.0	0.0	24.0	0.0	0.0	42.0	230.0
FTII w/tty	9445				2.0									
		98	0.0	0.0	40.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	138.0
shared pilot/mechanic work space w/ctr			1.0							2.0			1.0	
4 EFF			61.0	0.0	0.0	0.0	0.0	0.0	0.0	24.0	0.0	0.0	80.0	165.0
								2.0	2.0	3.0	2.0	2.0	4.0	
			0.0	0.0	0.0	0.0	0.0	18.0	20.0	36.0	32.0	24.0	200.0	330.0
toilet													2.0	
TL4 x 2			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	278.0	278.0
<b>MSAO helibase totals</b>		<b>220</b>												<b>1,141.0</b>
<b>MSAO helibase total w/ access</b>														<b>1,141.0</b>
Palmer Airbase				1.0	1.0				2.0			2.0		
C Surface Wilcock	9443	122	0.0	38.0	20.0	0.0	0.0	0.0	20.0	0.0	0.0	24.0	0.0	224.0
B Caruso w/3wall cnr				1.0		1.0			1.0				5.0	
&/copier/radios/tty/m ctr	9487	98	0.0	38.0	0.0	24.0	0.0	0.0	10.0	0.0	0.0	0.0	246.0	416.0
P Forstner w/public counter & computers	9743	98	0.0	38.0	40.0	48.0	0.0	0.0	10.0	0.0	0.0	12.0	176.0	422.0
4 EFF				1.0	2.0					4.0	2.0		4.0	
			0.0	38.0	40.0	0.0	0.0	0.0	0.0	48.0	32.0	0.0	200.0	358.0
4 shared work stations for pilots firefighter waiting			2.0							8.0			4.0	
23 personnel briefing room			122.0	0.0	0.0	0.0	0.0	0.0	0.0	96.0	0.0	0.0	136.0	354.0
24 personnel kitchen			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	506.0	506.0
retardant parts storage			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
flight planning room			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
pilot rest area			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	400.0	400.0
toilets w/showers			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	
TL3 x 2+extra shwr			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0	200.0
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	218.0	218.0

**INITIAL SPACE REQUEST**

		Space	WTB1	WTA1	PSB1	CTA1	FVA2--5	FVB4--5	FLA2--3	CSA1	BCC4	SCA2		
Employee	PCN	for	36x72	30x60	30x48	48x72	15x60	18x60	54x32	51x33	13x48	36x36	other	
	PCN	PCN	table	table	printers	computer	file cab	file cab	file cab	reg/visit	book-	storage	specialty	total
sq ft allowed			61.0	38.0	& tables	tbl w/ch	letter	legal	lateral	chairs	case	cabinets	equip	
toilet/mens													1.0	
TL4 + 2 urinals			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	183.0	183.0
toilet/womens													1.0	
TL4-ur			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	117.0	117.0
<b>PAQ totals</b>		<b>318.0</b>												<b>4403.0</b>
<b>Palmer Airbase total w/ access</b>														<b>4,403.0</b>
total bldgs before hangar		<b>3928.0</b>												<b>60,686.2</b>
aircraft hangar													1.0	
115 x 160			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18400.0	18,400.0
<b>Grand Totals all bldg</b>		<b>3928.0</b>												<b>79,086.2</b>

Access space was inadvertently omitted from the 1994 initial space request for the Maintenance Shop. This error has been corrected adding 3,792 sq ft to the request. Duplicate access space has been removed from the office building. Where specific types of common areas were needed, no access percentage was added. Seasonal work space for emergency employees must be adjacent to supervisory personnel, both for work and safety measures.

**HB**

**362**

HOUSE BILL NO. 362

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE THERRIAULT

Introduced: 12/29/95

Referred: Transportation, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act extending the motor fuel tax exemption for fuel sold for use in jet  
2 propulsion aircraft to fuel used in those aircraft for flights that continue from  
3 a foreign country."

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

5 \* Section 1. AS 43.40.100(2) is amended to read:

6 (2) "motor fuel" means fuel used in an engine for the propulsion of a  
7 motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a  
8 stationary engine, machine, or mechanical contrivance that [WHICH] is run by an  
9 internal combustion motor; "motor fuel" does not include

10 (A) fuel consigned to foreign countries;

11 (B) fuel sold for use in jet propulsion aircraft operating in  
12 flights to foreign countries or in flights that continue from foreign countries;

13 (C) fuel used in stationary power plants operating as public  
14 utility plants and generating electrical energy for sale to the general public;

- 1 (D) fuel used by nonprofit power associations or corporations  
2 for generating electric energy for resale;
- 3 (E) fuel used by charitable institutions;
- 4 (F) fuel that [WHICH] is at least 10 percent alcohol by volume;
- 5 (G) fuel sold or transferred between qualified dealers;
- 6 (H) fuel sold to federal, state, and local government agencies  
7 for official use;
- 8 (I) fuel used in stationary power plants that generate electrical  
9 energy for private residential consumption;
- 10 (J) fuel used to heat private or commercial buildings or  
11 facilities;
- 12 (K) fuel used for other nontaxable purposes as prescribed by  
13 regulations adopted by the department; or
- 14 (L) fuel used in stationary power plants of 100 kilowatts [KW]  
15 or less that generate electrical power for commercial enterprises not for resale;

*Effective date: End of 97 fiscal year  
(recommended)*

# Alaska State Legislature

REPRESENTATIVE  
GENE THERRIALT  
P O Box 55326  
North Pole, Alaska 99705  
(907) 488-0862

House District 33



White in Juneau  
State Capitol  
Juneau, Alaska  
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## House Of Representatives

**HB 362**                      Extending the motor fuel tax exemption for fuel sold for use in jet propulsion aircraft to fuel used in those aircraft for flights that continue from a foreign country

**SPONSOR:**              Rep. Gene Therriault

### SPONSOR STATEMENT:

House Bill 362 extends the motor fuel tax exemption for fuel used in aircraft for flights that continue from a foreign country. Currently, the state of Alaska provides a tax exemption for fuel used only in flights to foreign countries.

Federal law preempts state taxation of imported aviation fuel transported through a foreign trade zone for use in aircraft during foreign flights. The federal definition of "foreign flight" includes flights originating from and flights continuing to a foreign country.

Two tankers filled with tax exempt foreign-produced fuel were brought into Alaska during 1995. It is anticipated this practice will increase as airlines move to purchase the tax exempt fuel for use in foreign flights at a lower cost than taxable Alaska produced fuel.

HB 362 is needed to provide a level playing field to Alaska producers by allowing the tax exemption for all fuel used in foreign flights.

# MEMORANDUM

State of Alaska  
Department of Revenue

TO: File

DATE: October 31, 1995

TELEPHONE NO: 269-6620

SUBJECT: Foreign Aviation Fuel

FROM: <sup>ATB</sup>Larry E. Meyers  
Director  
Income and Excise Audit Division

All sales of aviation fuel in Alaska are subject to tax unless exempt by statute. One such exemption, AS 43.40.100(2)(B), excludes from taxation aviation fuel sold for use "in flights to foreign countries." This state exemption does not apply to fuel sold for use in flights from foreign countries which refuel in Alaska and travel on to U.S. destinations.

However, it appears state taxation of imported aviation fuel withdrawn from a foreign trade zone (FTZ) in Alaska for use in foreign commerce is preempted by federal law. This FTZ preemption applies to imported fuel sold for use in flights with an origin or destination in a foreign country. The federal preemption is broad because the federal definition of a "foreign flight" differs from the Alaska definition. Thus, sales of imported aviation fuel within a FTZ to flights originating in a foreign country which refuel in Alaska and continue on to another U.S. destination are exempt from the Alaska fuel tax.



Greater Fairbanks

**Chamber**

of Commerce

709 Second Avenue  
Fairbanks, Alaska 99701

(907) 452-1105  
FAX (907) 456-6768

Introduced by: Governmental Affairs Committee  
Date introduced: November 6, 1995  
Date passed: November 13, 1995  
Date transmitted: November 14, 1995

**RESOLUTION 95-1106.3**

**A RESOLUTION BY THE GREATER FAIRBANKS CHAMBER OF  
COMMERCE IN SUPPORT OF THE 9-LS1292A. (SEE ATTACHED)**

WHEREAS, foreign trade zones (FTZ) are established to encourage value added processing in Alaska for items bound for foreign destinations; and

WHEREAS, there are several FTZ locations in Anchorage that allow such activity, including at the Anchorage International Airport; and

WHEREAS, in early October, a tanker load of foreign refined jet fuel came into Anchorage Airport fueling system for use under the FTZ; and

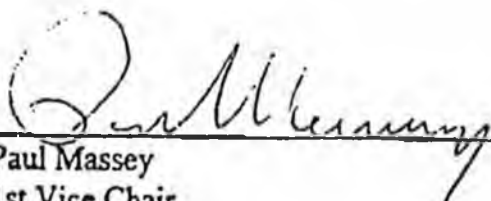
WHEREAS, this foreign processed fuel is able to take advantage of the FTZ to the disadvantage of Alaska based refiners who process Alaska royalty crude, employ Alaskans in the value added refining process, pay corporate taxes and others fees, and in some cases jet fuel to Anchorage on the State owned Alaska Railroad;

NOW THEREFORE BE IT RESOLVED that the Alaska State Chamber of Commerce goes on record in support of the attached work draft 9-LS1292A to amend AS 43.40.10 (2), thus permitting in-state refiners the same tax privileges in selling jet fuel to international carriers operating flights either to or from foreign destinations, irrespective of whether that fuel is sold through an FTZ; and

BE IT FURTHER RESOLVED that this resolution be distributed to:


The Honorable Tony Knowles, Governor of the State of Alaska  
Alaska State Legislature  
Alaska State Chamber of Commerce  
All Alaska Chambers  
Fairbanks Convention and Visitor's Bureau  
City of Fairbanks  
City of North Pole  
Fairbanks North Star Borough

PASSED on November 13, 1995 by the Greater Fairbanks Chamber of Commerce Board of Directors.



---

Paul Massey  
1st Vice Chair



---

William J. Robertson  
President/CEO

WITH CONCURRENCE from the following Fairbanks area Alaska State Chamber of Commerce Representatives.

- Jeff Cook
- James Dodson
- Dr. Hugh Fate
- Bart LeBon
- Paul Massey

Federal Express Corporation  
Fuel Administration  
2800 Montross Boulevard  
Suite 307  
Memphis, TN 38119

U.S. Mail PO Box 777  
Memphis, TN 38119-0777

Aviation Fuel 201-927-6149  
Ground Fuel 901-922-5446  
Fax 901-922-4588



December 27, 1995

Ms. Bonnie J. Garner  
Aviation Fuel Sales Manager  
Mapco Alaska Petroleum, Inc.  
1076 Ocean Dock Road  
Anchorage, AK 99501-1199

Dear Bonnie:

Federal Express understands Mapco Alaska Petroleum's continuing interest in competitively supplying jet fuel in Anchorage, Alaska. We are also aware that our use of tax-exempt jet fuel through the Foreign Trade Zone has an adverse impact on Mapco's ability to remain competitive in the Anchorage market. Specifically, Federal Express is able to reduce its tax burden on inbound international flights by \$0.032 per gallon through the use of tax exempt U.S. Customs bonded jet fuel.

Federal Express has enjoyed a long term relationship with Mapco and appreciates Mapco's reliable supply and consistent quality of jet fuel at competitive prices at Anchorage International Airport. However, the \$0.032 per gallon Alaska Motor Fuel Tax gives a significant tax advantage to foreign refined turbine fuel and foreign turbine fuel suppliers through the Free Trade Zone, since those foreign suppliers are exempt from the \$0.032 per gallon tax.

If Federal Express is to continue purchasing jet fuel on a competitive basis from Alaskan in-state refiners for international flights transiting Anchorage, the \$0.032 per gallon Alaska Motor Fuel Tax applicable to in-state refiners and Federal Express must be rescinded or exempted so that parity and equal competition might return to the market. Mapco's assistance in revising the Alaska Motor Fuel Tax law would allow our company and others to continue purchasing jet fuel from in-state refiners on a competitive basis and would reduce the necessity for Federal Express to purchase jet fuel from foreign refiners or brokers, or seeking alternative airports/countries for refueling our international flights.

Sincerely,

William H. Stark  
Managing Director  
Fuel Administration

cc: Chris Bolen  
David Carpenter  
Cheryl Yates  
Doug Buitrey

whs139/r



Douglas J. Podolak  
President

NVCA Fuel Services Corporation 612 727-6246  
A Northwest Affiliate 612 720-4851 Fax  
Department A4180  
5101 Northwest Drive  
St. Paul MN 56111-5034

December 27, 1995

Ms. Bonnie Garner  
MAPCO Alaska Petroleum Inc.  
1076 Ocean Dock Road  
Anchorage, AK 99501-1199

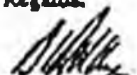
Dear Bonnie:

I am writing in regard to the Alaska Motor Fuel Tax. Northwest Airlines has enjoyed a long contractual history with MAPCO, however, as a participant in a very cost competitive industry Northwest must pursue the lowest net cost fuel supply available. As you are aware foreign refined jet fuel is offered by your competitors exempt from the 3.2 CPG Alaska Motor Fuel Tax. We are concerned that MAPCO will not be able to remain competitive for Northwest Airlines' business at ANC when facing the substantial price advantage of imported fuel.

We strongly support your efforts to effect a change in the Alaska Motor Fuel Tax to exempt all jet fuel used in international service as defined by the U. S. Customs authority. This definition includes outbound and inbound flights that include an international point in its routing. Amending the tax application to match the Federal definitions would eliminate confusion and the unintended effect of subsidizing the importation of foreign jet fuel by your competitors.

We trust you will be successful in your effort to change this tax law and would be happy to provide assistance. Northwest looks to continue MAPCO as a major supplier in ANC and hopes for your early success in this effort.

Regards,

  
Douglas J. Podolak

cc: M. L. Smith  
R. J. Van Der Wege



July 11/4/85

Sam Bishop, Opinion Page Editor; 456-6661 (Ext. 274)

FAIRBANKS

**Daily News - Miner****"Independent in All Things . . . Neutral in None"**  
Established in 1903CHARLES L. GRAY  
Publisher EmeritusPAUL J. MASSEY  
PublisherKELLY BOSTIAN  
Managing EditorSAM BISHOP  
Editorial Page Editor**Subsidizing foreign fuel**

The foreign trade zone fad, which swept up cities around the country during the past decade, has come back to bite Alaska.

Foreign trade zones encourage companies to bring foreign materials into the state for manufacturing, which creates jobs. The encouragement is provided by exempting the goods from customs tariffs and other taxes.

Anchorage established such a zone at its port several years ago. Not much happened until early last month, when an oil tanker full of jet fuel arrived from the island of Aruba, off the Venezuelan coast.

The owner, Kuwait Petroleum Co., promptly sold 200,000 gallons to the jet fuel distributor at Anchorage International Airport. The Kuwait company offered a very competitive price because the free trade zone exempted them from a 3.2-cent per gallon state aviation fuels tax on any fuel used for international flights.

With that advantage, the Kuwaitis beat the competition—fuel from Mapco's North Pole refinery. Mapco normally supplies a substantial portion of the jet fuel used in Anchorage's international flights.

Mapco officials are not pleased with the trade zone. Why should we be giving tax breaks to foreign companies so they can out-compete local companies? The simple answer is that we shouldn't.

Mapco is asking legislators to exempt their fuel used on international flights from the 3.2-cent state tax. State law already does just that, in part. Fuel used to power planes flying toward foreign lands is exempt from the tax. Mapco wants legislators also to exempt fuel used to fill planes coming from other countries.

That would cost the state some revenue at a time when it has serious problems balancing its budget. However, if Kuwait Petroleum takes over the Anchorage jet fuel business, the effect would be the same—no revenue from international fuel sales. And Kuwait Petroleum isn't employing refinery and railroad workers, paying state and local taxes or sponsoring numerous civic events here.

# Foreign trade zone at port helps air carriers avoid state fuel tax

By Diana Campbell  
For the Journal of Commerce

**A** state tax on motor fuel oil takes the competitive edge away from Alaska refineries, says Mapco Alaska Petroleum's top Alaska official.

Activation of foreign trade zones in Anchorage has made it possible for international air carriers to bypass a 3.2-cent-per-gallon state tax on jet fuel by purchasing foreign fuel and bringing it to the FTZ.

This is unfair to state refineries, which produce fuels subject to the tax, and it makes those fuels less attractive products, said Jeff Cook, vice president of external affairs and administration for Mapco Alaska.

"Do you want to promote foreign refineries or do you want to promote Alaska refineries?" Cook asked in a Dec. 20 interview.

The rub comes from a set of dueling government definitions, the

large and highly competitive demand for jet fuel and state refineries' ability to meet that demand.

The state tax is to be paid by air carriers on all jet fuel used for domestic flights, state officials said. However, foreign flight fuel is exempted from that tax when brought to FTZ storage. There the fuel is regulated by federal law, which has a looser set of definitions of international flights. In general, the rule says a flight is considered international if the final destination is foreign, even if there are domestic stops in between.

Alaska state law differs in that if there is a domestic stop before the final international destination, then the tax would be charged on the domestic part of the route.

Recently, a consortium of international carriers that use the Anchorage International Airport hired a fuel brokerage firm to look for a

Continued on Page 5

## Foreign trade zone in Anchorage squeezes out state refineries, Mapco official says

Continued from Page 1

cheaper source of jet fuel. The brokerage struck a deal with a Kuwaiti refinery, which sent a supertanker of fuel to Aruba. The fuel was then transferred to smaller tankers, which then traveled to the Port of Anchorage. From there, the fuel was transported to the Anchorage International Airport via a pipeline for use.

The second load of 10 million gallons of fuel arrived at the beginning of December, said Tom Jenson, the FTZ's development director. In October, the first 10 million gallons arrived.

Jet fuel is in high demand and all the state's refineries have yet to meet the required amount, Cook said. There is an increasing need to import jet fuel.

Tom Mushovic, general manager of Signature Flight Support, the operator of Anchorage International's fuel transfer facility, said that the airport has used about 530 million gallons of jet fuel in 1995.

Paul Dick, operations manager with the Department of Revenue, said the state netted

\$7,142,571 for fiscal year 1995 on the motor fuel tax.

He also said an air carrier may apply for a refund of the 3.2-cent tax if the fuel is used for international flights, and the carrier has documentation to back up its claim. For fiscal 1995, there were 404,303,038 gallons of fuel exempted, he said. That means the state, in effect, refunded about \$12 million. (This includes part of the year when the tax was 2.5 cents and part of the year when it was 3.2 cents.)

The potential benefit to airlines would be to get more foreign fuel into the FTZ, and that is not fair, Cook said.

But the activation of the FTZ could have an economic impact on the Anchorage area. The zone could attract more and more carriers seeking to take advantage of tax exemptions. Thus, there would be a bigger demand for fuel and more local jobs at the port and the airport, officials say.

Cook said Mapco Alaska has worked with state legislators to draft a bill that would clarify the discrepancies. He said the bill will be introduced in the Legislature this spring.

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Aviation Fuel Tax Exemption BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Representative Therrault  
 Requestor: House Transportation COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES ( )</b>	<b>(3,528.0)</b>	<b>(3,740.0)</b>	<b>(3,964.0)</b>	<b>(4,202.0)</b>	<b>(4,412.0)</b>	<b>(4,632.0)</b>

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY96) cost \$ \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Larry E. Meyers, Director  
 Division: Income and Excise Audit  
 Approved by Commissioner: [Signature]  
 Agency: Department of Revenue

Phone: 269-6623  
 Date: 1/23/96  
 Date: 1/23/96

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**ISSUE**

The activation of a Foreign Trade Zone (FTZ) in Anchorage (Oct. 1995) allowed imported foreign aviation fuel to be sold exempt from state tax to aircraft flying directly or indirectly to a foreign country. Alaska oil refining industry believes that they will not be able to compete economically with FTZ (foreign import) fuel unless the current Alaska tax exemption for direct foreign flights is expanded to include Indirect (i.e. flights that refuel in Alaska, stop in another U.S. city and then continue on to a foreign country). Current Alaska statutes provide only for an exemption for fuel sold on flights going directly to a foreign country.

**Current Law**

AS 43.40 (Alaska motor fuel tax) currently imposes a 3.2 cent per gallon tax on aviation jet fuel purchased in Alaska. Fuel purchased in Alaska for use in flights directly from Alaska to a foreign country is exempt from the Alaska tax. Fuel purchased for use in flights originating in a foreign country, refueling in Alaska and continuing to a U.S. destination prior to returning to foreign country (i.e. indirect foreign flight) is taxable.

**Proposed Law**

HB 362 would expand the above exemption to exempt from tax fuel purchased in Alaska for all flights to or from foreign countries.

**Revenue Impact**

This bill will result in approximately \$3.528 million in revenue loss for FY 97 increasing at 6% through FY 2000 and 5% thereafter.

This estimate considers the effect of the recent activation of Anchorage Foreign Trade Zones (FTZ). The FTZ allows International air carriers to use imported fuel without incurring customs duties. Under the rules and regulations of the U.S. Customs Service, the operation of the FTZ allows air carriers to place imported fuel in the FTZ and withdraw the fuel for use in flights to or from a foreign country. Under federal law, the State of Alaska cannot impose tax on fuel placed in the FTZ. Alaska will lose tax revenues from the FTZ independently of HB 362.

The fiscal impact of HB 362 results from exempting fuel that could not otherwise qualify for FTZ treatment or the current foreign flight exemption. The fiscal impact is measured by the amount of domestic fuel that is used for flights that continue from foreign countries to a U.S. destination.

**Fiscal Note Assumptions/Calculations**

- 1) DOR economic analysis indicates that a 3.2 cent tax advantage for foreign fuel placed in the FTZ will not result in a significant increase in foreign fuel imports. Transportation costs and favorable crude price and supply will continue to make Alaska refined fuel most economical. West Coast imports will continue to be cheaper than imported foreign fuel.
- 2) According to the Alaska Center for International Business, the imports of jet fuel for the last six years has averaged 43.928 million gallons. DOR has used this average to estimate future imports of FTZ fuel. Approximately 50% of the imported fuel is used in flights that already qualify under the current foreign flight exemption. Therefore, 50% of expected imports or 21.964 million gallons will be used in continuing foreign flights. At a 3.2 cent tax rate, this equates to \$0.702 million in tax revenue lost from FTZ fuel.
- 3) Total estimated aviation fuel tax revenue to be collected in FY97 from indirect foreign flights was \$4.23 million. Estimated revenue loss due to import of FTZ fuel is \$.702 million. Thus the remaining potential revenue loss from HB 362 is \$3.528 million for FY 97.
- 4) The air carriers that will be affected by HB 362 are primarily transit cargo carriers. Transit cargo is defined as cargo that either (1) remains on an aircraft during a stopover at the Airport or (2) is off-loaded exclusively for customs clearance and/or sorting and is then reloaded. Expected increases of transit cargo- 6% through 2001 then 5%. This rate applied to FY 97 revenue loss. Source: Anchorage International Airport Master Plan Update, Fall 1995, Table 15.
- 5) Actual revenue loss is dependent on the amount of foreign fuel that will be imported and placed in FTZ. Alaska is pre-empted from taxing this fuel.

(7)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: January 8, 1996

FURTHER REFERRALS:

Finance

Date of Committee Action: 1/31/96

The TRANSPORTATION Committee considered:

HB 362

HOUSE BILL NO. 362

AVIATION FUEL TAX EXEMPTION

"An Act extending the motor fuel tax exemption for fuel sold for use in jet propulsion aircraft to fuel used in those aircraft for flights that continue from a foreign country."

recommends it be replaced with the following committee substitute \_\_\_\_\_ [ ] the same title [ ] a new title

[ ] additional referral to \_\_\_\_\_ Committee

[ ] attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) Revenue

[ ] fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Beverly Masek</i>			<input checked="" type="checkbox"/>	
<i>Janet James</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>	<input checked="" type="checkbox"/>			
<i>[Signature]</i>			<input checked="" type="checkbox"/>	
<i>[Signature]</i>			<input checked="" type="checkbox"/>	

CHAIR'S SIGNATURE [Signature]





The Honorable Mark Hanley  
The Honorable Gene Theriault  
February 28, 1996  
page 2

Even assuming preemption would take place, is it a realistic possibility that foreign fuel would substantially take over the Anchorage market? We wonder whether the realities of high seas economics and logistics requirements permit this possibility. We also wonder what role an attempt to avoid the current federal 4.3¢ per gallon tax may have played in the recent foreign fuel dockings. Last, we wonder if any further foreign fuel dockings are currently scheduled; and if not, why not?

Assuming preemption and assuming further a realistic potential for market takeover, is there a better solution to be found in the FTZ management? Surely there must be some simpler way to solve this perceived fuel tax problem at the Anchorage FTZ boundary. We wonder if the Legislature, the Governor's office and the Mayor's office have examined all the options involving FTZ management and operation.

Please accept these comments in the spirit of our attempts to assist in the development of sound public policy. If you have any questions or comments, please do not hesitate to call.

Sincerely,



Kimberly S. Daniels Ross  
Executive Director

cc: House Finance Committee  
House Transportation Committee  
Commissioner Joe Perkins, DoT/PF  
Larry E. Myers, DoR  
AACAA Board of Directors

[N]ot only is there no indication that Congress wished to preclude state sales taxation of *airline fuel*, but, to the contrary, the Act expressly permits States to impose such taxes.... [W]hat [§40116(e)] shows is that, to the degree that Congress considered the power of the States to tax air travel, it expressly and unequivocally permitted the States to exercise that authority. In other words, rather than prohibit state regulation in the area, Congress invited it. This is not the stuff of pre-emption.

477 U.S. at 7 (emphasis added).

Second, the Court examined,

(1) the Chicago Convention on International Civil Aviation, ... to which the United States and 156 other nations ... are parties; (2) a Resolution ... adopted ... by the International Civil Aviation Organization (ICAO) ... [and] (3) more than 70 bilateral agreements ... into which the United States has entered with various foreign countries dealing with international aviation.

477 U.S. at 9. The Court then discussed these expressions of Congressional policies on international aviation:

[W]hat these documents show is while there appears to be an international aspiration on the one hand to eliminate all impediments to foreign air travel – including taxation of fuel – the law as it presently stands acquiesces in taxation of the sale of that fuel by political subdivisions of countries.

477 U.S. at 10.

[T]he United States has, since the time that the [Chicago] Convention came into force, become a party to more than 70 bilateral aviation agreements, and in not one of these agreements has the United States agreed to deny the States the power asserted by Florida in this case.

477 U.S. at 11. The *Wardair* Court concluded,

What all this makes abundantly clear is that the Federal Government has not remained silent with regard to the question whether States should have the power to impose taxes on aviation fuel used by foreign carriers in international travel.... It would turn the dormant Commerce Clause analysis upside down to apply it where the Federal Government has acted, and to apply it in such a way as to reverse the policy that the federal Government has elected to follow.

477 U.S. at 12. See also, *Itel Containers International Corporation v. Joe Huddleston, Commissioner of Revenue of Tennessee*, 507 U.S. 60 (1993).

It would turn the *McGoldrick* principles "upside down" to apply them to reach a preemption conclusion in the case of Anchorage FTZ fuel. *McGoldrick* held that New York sales tax was preempted in a case of 1934 and 1935 sales of fuel delivered alongside *foreign bound* vessels in New York City, when that fuel had originally been imported as *crude petroleum*, duty free, into *bonded warehouses*, and *refined* into fuel while in bond. The bonded fuel was *segregated* from domestic goods, and its duty free status was conditioned upon *it never being landed at any port or place in the United States or its possessions*.

The *McGoldrick* Court found, on the facts of that particular case, a *comprehensive scheme* adopted by Congress, an essential purpose of which was to "enable American refiners to meet foreign competition", through the federal tax relief. Allowing the New York sales tax would have frustrated that purpose. 309 U.S. at 427, 428.

In Anchorage, *disallowing* the state tax on foreign imported fuel would put American refiners -- such as Mapco, Petro Star, Tesoro and Arco -- at a competitive disadvantage to foreign refiners. It would also put domestic air carriers -- such as Alaska, Delta, United and Reno Air -- at a competitive disadvantage to foreign and domestic air carriers taking advantage of the tax free fuel on continuing flights. This is not consistent with the principles of *McGoldrick*. "Domestic producers and local taxpayers would thus 'subsidize' the ... [foreign producers of imported fuel and competing airlines with flights originating in foreign countries]." *R. J. Reynolds Tobacco Company v. Durham County*, 479 U.S. 130, 145 (1986).

*McGoldrick* relied heavily on the provisions of §309 of the Tariff Act of 1930, with its specific provisions for federal tax free status for fuel for foreign bound vessels. That statute, now 19 U.S.C. §1309, was amended in 1960, twenty years after *McGoldrick*, to include a new provision:

The provisions for free withdrawals made by this subsection (a) shall not apply to *petroleum products* for vessels or aircraft in voyages or flights exclusively between Hawaii or Alaska and any airport or Pacific coast seaport of the United States.

(Emphasis added.) This belies any Congressional intent, based on a *McGoldrick* analysis, to preempt state taxation on fuel sold for flights between Anchorage and the Lower 48.

The Anchorage FTZ situation is distinguishable from *McGoldrick* in other significant respects. The bonded fuel will not be *crude petroleum*, to be refined in a bonded warehouse. The bonded fuel will not be segregated; it will be commingled with domestic and other unbonded fuel. Some portion of it will necessarily be again landed in the United States. Some of the bonded fuel will not be exported. It will be used for flights that are not "actually engaged in foreign trade", but between U.S. airports. There is no regulation, incorporated by reference by Congress, that provides, "'imported goods in bonded warehouse are exempt from taxation under the general laws of the several States.'" There is no "comprehensive scheme ... calculated to insure the devotion of the manufactured oil exclusively to that purpose [for use in foreign bound vessels]." 309 U.S. at 426, 427.

*McGoldrick* simply is not good authority for the proposition that the Alaska sales tax on aviation fuel would be preempted.

In undertaking this [preemption] analysis ... we must be mindful of the principal that "federal regulation of a field of commerce should not be deemed preemptive of state regulatory power in the absence of persuasive reasons -- either that the nature of the regulated subject matter permits no other conclusion, or that the Congress has unmistakably so ordained."

*Reynolds Tobacco, supra*, at 140 (quoting *Florida Lime & Avocado Growers, Inc. v. Paul*, 373 U.S. 132, 142). Unless and until one can demonstrate that Congress has *unmistakenly ordained* for U.S. refiners to be put at a competitive disadvantage, and that Congress has *unmistakenly ordained* for domestic air carriers to be put at a competitive disadvantage, *McGoldrick* can not credibly support a preemption argument.

It is true that *Wardair Canada* does not deal with Foreign Trade Zones, but neither does *McGoldrick*. We find nothing in the Foreign Trade Zone Act or the regulations that conflicts with the clearly expressed Congressional policies to allow state aviation fuel taxes, as elicited in *Wardair Canada*. See also, *Itel Containers International Corporation v. Joe Huddleston, Commissioner of Revenue of Tennessee*, 507 U.S. 60 (1993).

In conclusion, Alaska is free to tax aviation fuel as it may wish in the circumstances.

The Alaska Air Carriers Association







ALASKA AIR CARRIERS ASSOCIATION

1117 E. 35th Avenue, Suite 102
Anchorage, Alaska 99508
(907) 277-0071 Fax (907) 277-0072

February 12, 1996

Department of the Treasury
U.S. Customs Service
Anchorage District Office
605 West 4th Avenue, Room 205
Anchorage, Alaska 99501

Attn: District Director, and
Daniel C. Holland
Area Port Director

Re: Freedom of Information Act Request; 5 U.S.C.A. §552.
Foreign Trade Zones and their Effect on the State of Alaska's Ability to
Tax Aviation Fuels Sold at Anchorage International Airport for Use in
Flights in Foreign Commerce.

Via fax: 271-2684

Dear Mr. Holland:

Thank you for your letter of February 8, 1996. This is a Freedom of Information Act Request
under 5 U.S.C.A. §552.

We understand that the U.S. Customs Service has given its opinion that foreign-produced fuels
withdrawn from a Foreign Trade Zone at Anchorage International Airport for use in "foreign
commerce", including flights continuing on from ANC to another U.S. destination, are exempt
from customs duties and federal internal revenue taxes, because of federal law (and therefore
possibly exempt from Alaska state taxation). Please furnish us with citations to the federal
laws, rules and regulations upon which you base this opinion, and, in addition, citations to the
federal laws, rules and regulations which relate to this issue. In addition, please furnish us
with copies of correspondence to or from the state of Alaska and interested air carriers on this
topic, as well as copies of analyses of the issues you may have in your records. We are willing
to pay your reasonable lawful charges for such copies.

We would appreciate your prompt response. If you have any questions, please do not hesitate
to call.

Sincerely,

Kim Daniels Ross
Kimberly Daniels Ross
Executive Director

cc: Rep. Gene Therriault
Rep. Mark Hanley
House Transportation Committee
Commissioner Joe Perkins, DOT/PF
Lary E. Meyers, DOR
AACA Board of Directors

ALASKA AIRCARRIERS ASSOCIATION
ANCHORAGE DISTRICT OFFICE
605 WEST 4TH AVENUE, ROOM 205
ANCHORAGE, ALASKA 99501
(907) 277-0071 FAX (907) 277-0072



DEPARTMENT OF THE TREASURY

U S. CUSTOMS SERVICE

ANCHORAGE, ALASKA

February 20, 1996

received  
2/21/96

AACA

362

Ms. Kimberly Daniels Ross  
Executive Director  
Alaska Air Carriers Association  
1117 E. 35th Avenue, Suite 102  
Anchorage, Alaska 99501

FOIA/PA-ANC-96-04  
By Facsimile Only To:  
907-277-0072

Dear Ms. Ross:

This responds to your Freedom Of Information Act request which was received by this office on February 20, 1996. You have requested access to records maintained in the Customs Service port of Anchorage, Alaska. Please be advised that we have no records responsive to your request.

You are advised, in accordance with 5 USC 552 (a) (6) (i), you have the right to appeal this determination within 35 days after the date of this notification. This appeal should be submitted to the FOIA Appeals Officer, United States Customs Service, 1301 Constitution Avenue, N.W., Washington, D.C. 20229, and have the words "Freedom of Information Act Appeal" printed conspicuously on the face of the envelope. See Appendix C, 3(c) to 31 CFR, Part 1.

In the event the FOIA Appeals Officer should (1) fail to issue a determination of your appeal within 20 working days of its receipt (plus 10 additional working days if you are notified that an extension of time is required and applicable), or (2) deny your appeal, you may obtain judicial review pursuant to 5 USC 552 (a) (4) (B) in the United States district court in the district (1) in which you reside, (2) in which your principal place of business is located, (3) in which the agency records are situated, or (4) in the District of Columbia.

Under the regulations adopted pursuant to the Freedom of Information Act, there is a charge for record search time, review time and photocopying. In this case, however, because no records were provided, there will be no charge.

Sincerely,

Daniel C. Holland  
Port Director

By:   
Patrick McGown  
FOIA Processor



**TESTIMONY OF KIM DANIELS ROSS**

House Transportation Committee

via teleconference network

January 24, 1996 1:00 p.m.

Mr. Chairman and members of the committee, My name is Kim Daniels Ross and I'm Executive Director of the Alaska Air Carriers Association.

Thank you for this opportunity to comment in opposition to HB362. I speak on behalf of 140 domestic air carriers operating here in Alaska. We believe a bill that would provide a tax exemption for a few select air carriers could be unfair and encourage misuse and manipulation of the Foreign Trade Zone as well as Department of Revenue and Department of Transportation funding and accounting mechanisms. Three times now the DOT has come to domestic carriers with claims of budget shortfalls. Each time they have sought higher user fees, higher fuel taxes and other "revenue enhancements."

We are concerned that HB362 might have a tremendously adverse effect on Alaska's local domestic airline industry. The domestic industry is made up of a wide range of companies, based in Alaska, that provide service to our bush communities. These are the folks that carry passengers, mail, freight, and medevac services--basically providing whatever transportation services are necessary to support life in rural areas.

If HB362 goes into effect, the state of Alaska would lose approximately \$4.5 million dollars in current tax revenue--revenue that is being counted on to fund the rural airport maintenance and operations budget. Without the \$4.5 million dollars in tax revenue, the state will have to look to alternative revenue sources. We all know Alaska doesn't have dedicated funding, but reality tells us that a shortfall of \$4.5 million dollars can equate to substantial increases in other user revenue sources such as airport lease rates and landing fees. One domestic company estimates their portion of the shortfall bill to be \$300,000-\$400,000. Those increases cannot be absorbed by the domestic industry--the local companies I mentioned earlier. The domestic operators will be forced to pass on the increases to the flying public--Alaskans who live and work in rural areas.

Our State is facing a monstrous fiscal gap. Every day the newspaper reports work being done by special commissions and government agencies--involving politicians and people from the private sector--whose purpose is to examine alternative revenue sources to fill-in the budget gap. How would the general public respond if they knew the Legislature was considering eliminating an existing tax base? In essence, our state would be giving away \$4.5 million dollars in revenue--funds that are critical to continued airport operations in rural Alaska.

TESTIMONY OF KIM DANIELS ROSS  
House Transportation Committee  
January 24, 1996  
page two

I represent an industry group. You can bet we don't have a problem with legitimate avoidance of taxation. But we feel there has been a lack of resolve by various state departments to challenge the FTZ fuel tax ruling by the local US Customs office. Questions need to be asked such as, "Is this how FTZ's handle fuel in other locations? How about Miami, New York, San Francisco or L.A.?" The overall intent should be consistent.

We sympathize with Alaska's oil refineries and understand they are struggling to compete with fuel suppliers that take advantage of loopholes written into the Foreign Trade Zone rulebook. But let's fix the problem, not massage the symptoms. The issue isn't removing the tax--the true fix is giving real consideration to making substantive changes to the operating rules of the FTZ.

Overall, I believe there are too many unanswered questions associated with HB362 and I ask that you consider holding the bill until we can work together to look at options. Once again, if you're going to give away a large part of our tax base, then incorporate a fiscal plan that ensures the remaining domestic industry won't bear the burden of the shortfall.

Thank you.

TONY KNOWLES  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500  
Fax (907) 465-3532

December 21, 1995

Mayor Rick Mystrom  
P.O. Box 196650  
Anchorage, Alaska 99519-6650


Dear Mayor Mystrom:

As you probably are aware, the Municipality of Anchorage, through an agent, recently activated a Foreign Trade Zone (FTZ) that includes State land at the Anchorage International Airport and caused a considerable loss of fuel tax revenue to the State. Because I am concerned that the State's interest may not have been fully addressed, I suggest that the State and the Municipality of Anchorage review the costs and benefits of the recent shipments of foreign oil to the Port of Anchorage and work together to develop a plan for activating and operating foreign trade zones.

Since both State interest and Municipal interest are involved at the FTZ, I believe the original intent to jointly manage the FTZ either through a non-profit organization or with a Memorandum of Understanding is still in both parties' best interest. I have asked Commissioner Joe Perkins, Department of Transportation and Public Facilities, to contact your office to begin a dialogue on Foreign Trade Zone issues. I hope you will agree with this direction and will notify your staff accordingly.

Thank you for your consideration and attention to this matter.

Sincerely,

  
Tony Knowles  
Governor

cc: Joseph L. Perkins, Commissioner, Department of Transportation and Public Facilities

**ALASKA DEPARTMENT OF REVENUE**  
**Issue Paper on HB 362 - Aviation Fuel Tax Exemption**  
**January 22, 1996**

**ISSUE**

The activation of a Foreign Trade Zone (FTZ) in Anchorage (Oct. 1995) allowed imported foreign aviation fuel to be sold exempt from state tax to aircraft flying directly or indirectly to a foreign country. Alaska oil refining industry believes that they will not be able to compete economically with FTZ (foreign import) fuel unless the current Alaska tax exemption for direct foreign flights is expanded to include indirect (i.e. flights that refuel in Alaska, stop in another U.S. city and then continue on to a foreign country). Current Alaska statutes provide only for an exemption for fuel sold on flights going directly to a foreign country.

**CURRENT LAW**

AS 43.40 (Alaska motor fuel tax) currently imposes a 3.2 cent per gallon tax on aviation jet fuel purchased in Alaska. Fuel purchased in Alaska for use in flights directly from Alaska to a foreign country is exempt from the Alaska tax. Fuel purchased for use in flights originating in a foreign country, refueling in Alaska and continuing to a U.S. destination prior to returning to foreign country (i.e. indirect foreign flight) is taxable.

*'94 fm 2.8*

**PROPOSED CHANGE**

HB 362, Aviation Fuel Tax Exemption, would expand the current tax exemption for aviation fuel used in direct foreign flights to include indirect flights.

**ANALYSIS**

HB 362 is in response to the activation of an FTZ in Anchorage. Alaska imposes 3.2 cents per gallon tax on aviation jet fuel (AVJET) sold in the state. Fuel sold in Alaska for use in a direct flight to a foreign country is exempt from the tax. However, fuel sold for use in an indirect flight to a foreign country is taxable.

Federal law allows foreign merchandise, (in this instance AVJET) to be imported into an FTZ and withdrawn free of duty and federal taxes for supplies of aircraft engaged in foreign trade. Alaska is preempted from imposing its tax on direct or indirect foreign flights. The result is that domestic (any non FTZ) fuel sold in Alaska for an indirect foreign flight is taxable while FTZ fuel is not.

Certain local fuel suppliers believe that they cannot compete against the imported fuel under the present Alaska statute. It is their belief that the FTZ fuel will completely displace locally refined AVJET fuel for use in foreign flights unless the statutes are amended to expand the exemption of a foreign flight.

The Department believes the issue is one of economics. It is not convinced that cost of purchasing and transporting foreign fuel to Alaska on a regular basis offsets the 3.2 cents a gallon of tax. We believe that proponents of the bill must be able to show that local fuel suppliers can not compete against foreign imported fuel with the current tax in place. Based on preliminary review we have serious doubts that this showing can be made. The operation of an FTZ may result in a loss of state revenue. Expanding the foreign flight exemption guarantees a loss of revenue for all foreign flights.

#### **FINANCIAL IMPACT**

For FY97 the tax revenue generated on fuel sold for indirect foreign flights is estimated at \$4.2 million. Over the past five years an average of 44 million gallons annually of AVJET fuel have been imported (primarily from domestic sources) to meet supplier needs. Since roughly 50% of all aviation fuel sold in Alaska is currently exempt (direct foreign flights) from tax we are assuming that only 50% of imported fuel would reduce current taxes. Under this assumption and also assuming all imports would qualify for FTZ exemption the state would lose a minimum of \$700,000 of revenue annually. At this rate HB 362 would result in a loss of tax revenue of \$3.5 million (total tax estimated current tax of \$4.2 million less revenue loss due to FTZ exemption of \$700,000).

DEPARTMENT OF TRANSPORTATION  
AND PUBLIC FACILITIES  
OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE  
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3652  
FAX: (907) 586-8365  
PHONE: (907) 465-3900

January 30, 1996

The Honorable Rick Mystrom  
Mayor, Municipality of Anchorage  
P.O. Box 196650  
Anchorage, Alaska 99519

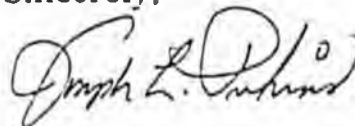
Dear Mayor Mystrom:

Thank you for your positive response to Governor Knowles' letter to you concerning the Anchorage Foreign Trade Zone (FTZ). I am particularly encouraged that you have acknowledged an appreciation for the Governor's concern. While I understand there may be a financial benefit that Anchorage realizes as a result of the delivery of foreign fuel to the FTZ, as the Governor's letter indicated we are concerned that the State's interest was not fully considered.

I have assigned my Deputy Commissioner, Kurt Parkan, to carry out the discussions with the Municipality of Anchorage on my behalf. Kurt will not only represent the Department and the Anchorage International Airport but he will also coordinate with the Department of Revenue and the Department of Law. I understand Kurt has already spoken with Tom Jensen from your staff about a meeting during the week beginning January 29th.

Again, I appreciate your personal attention to this matter and your assurance that it will receive immediate attention

Sincerely,



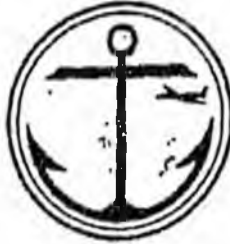
Joseph L. Perkins, P.E.  
Commissioner

cc: Tom Jensen, FTZ Manager

TEL: 907 277 5636

P. 002

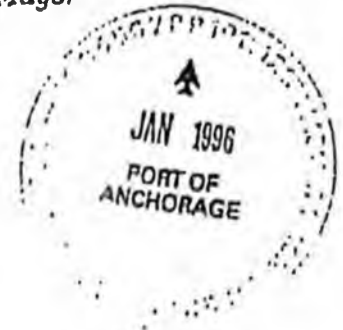
Municipality  
of  
Anchorage



OFFICE OF THE MAYOR

P.O. Box 196650  
Anchorage, Alaska 99519-6650  
Telephone: (907) 343-4431  
Fax: (907) 343-4499

*Rick Mystrom, Mayor*



January 5, 1995

The Honorable Tony Knowles  
Governor of Alaska  
P.O. Box 110001  
Juneau, Alaska 99811-0001

Dear Tony:

Thank you for your recent letter regarding Anchorage Foreign Trade Zone activities. I understand your concerns and look forward to hearing from Commissioner Perkins of the Department of Transportation and Public Facilities.

The entire issue of an active Foreign Trade Zone is extremely important with regard to economic development as well as impact on local businesses. Please rest assured that the matter will receive our immediate attention.

Sincerely,

Rick Mystrom  
Mayor

**DEPARTMENT OF REVENUE  
AND  
DEPARTMENT OF TRANSPORTATION**

**Foreign Trade Zone Bullets**

January 31, 1996

**SUMMARY OF ISSUES**

- The Municipality of Anchorage, through an agent, has activated a Foreign Trade Zone (FTZ) that includes land on the Anchorage International Airport. The FTZ is being used to distribute fuel purchased from a foreign company thereby avoiding State fuel taxes.
- Representative Therriault has introduced legislation that would broaden the foreign flight exemption to include flights that originate in a foreign country and refuel in Alaska in route to a destination in the lower 48.
- Total potential revenue loss from avoiding the tax at the FTZ and the expansion of the exemption by the proposed legislation could be up to \$4.1 million.

**HISTORY OF THE FTZ**

- An FTZ is a restricted access site, in or adjacent to a customs port of entry, operated pursuant to public utility principles under the sponsorship of a corporation granted authority by the Foreign Trade Zone Board (FTZB). State law designates the appropriate entity in an individual state to which the grant can be given.
- Negotiations between the Municipality of Anchorage (MOA) and the State over the establishment of a FTZ in Anchorage started in 1986. The original intent was to have the State and MOA jointly seek the authority but the state law, AS 45.77.010, at that time, did not authorize a joint application. (During the 1988 legislative session, AS 45.77.010 was amended to allow joint applications to the FTZB.)
- The original idea was to have the FTZ managed by a non-profit corporation made up of State members, MOA members and public members. The State did not want to relinquish control over its airport property.
- On December 15, 1987, the MOA on its own filed an application with the FTZB requesting a grant of authority for establishing, operating, and maintaining a general-purpose foreign-trade zone at 2 sites: the Port of Anchorage and the Anchorage International Airport. (Since amended to include additional sites.) The MOA was named as the "Grantee." A clear paper trail shows the intended purpose for the FTZ was for warehousing

in anticipation of the airport becoming a cargo hub. The application was approved on July 18, 1989, by the FTZB.

- On August 4, 1995, the MOA appointed Perman Stoler, Customhouse Broker and Fritz Company, as the FTZ operators. On October 3, 1995, Perman Stoler requested that the tank farms at the port and at the airport be activated as an FTZ.
- Foreign Aviation Jet Fuel (AVJET) has been imported into Alaska through the FTZ. This fuel cannot be taxed by Alaska due to federal preemption.
- Fuel transactions at FTZ's are normally support for other FTZ business activity. In this case, AVJET distribution is the only FTZ activity.
- Alaska imposes a 3.2 cent per gallon tax on AVJET fuel sold in the state. Fuel sold in Alaska for use in a flight directly to a foreign country is exempt from the tax. However, fuel sold for use in flights to another U.S. destination is taxable, even if that flight originated in a foreign country, refuels in Alaska and continue to a U.S. destination.
- Alaska is preempted from imposing taxes on FTZ fuel that is sold for use in flights that originate in foreign countries and continue to a U.S. destination. Federally, any flight that originates in a foreign country is considered to be engaged in foreign commerce and is not subject to state taxes until it enters into domestic commerce. The result is that domestic fuel sold for a continuing foreign flight is taxable while FTZ fuel is not.

#### **LEGISLATION**

- Legislation has been drafted by Representative Therriault to expand the current exemption for motor fuel taxes to include AVJET used in flights from foreign countries that refuel in Alaska and fly to another U.S. city ("indirect foreign" flights).

#### **REVENUE ISSUES**

- The Anchorage Daily News on October 7 reported a shipment of 10.5 millions of gallons of fuel was brought into Anchorage by a Kuwaiti company. This fuel would have been intermixed with other fuel in the fuel tanks serving international flights; the owners can designate when a particular withdrawal should be charged against this cargo. Logically, all of it will be used for "indirect foreign" flights, and thus avoid the 3.2 cent tax. Thus, this one load represents a \$336,000 tax loss to the state. The newspaper article also reported that the city of Anchorage received \$25,000 in fees for the ship's visit.
- Rationale for the legislation is that once the FTZ is operating fully, foreign fuel will completely displace in-state refined fuel for these "indirect foreign" flights. Thus, all of the revenue the state now receives in tax for "indirect foreign" flights (about \$4.1 million) will be lost anyway because of the FTZ. Therefore, the rationale goes, passing the legislation will not

affect this loss; it will only allow local refiners to compete with imported foreign AVJET.

- We don't agree that FTZ fuel will totally displace domestically refined fuel for these flights. Our best estimate of the economics of the situation is that the state will lose between \$.6 and \$2 million of the \$4.1 million in tax on those flights. Thus, the revenue impact of the legislation would be the remainder of those dollars: from \$2.1 to \$3.5 million. The legislation will guarantee loss of the entire \$4.1 million.

#### **RECOMMENDATIONS**

- Actions to modify the FTZ (including deactivation) to allow taxation of foreign AVJET for "indirect foreign" flights should be considered.
- We recommend that negotiations begin immediately with the MOA to establish an appropriate management mechanism that will restore State authority over airport lands. Initial contacts with the MOA indicate they are willing to enter into an agreement.
- Our economic analysis continues. However, we have found no evidence supporting the idea that a 3.2 cent tax savings would overcome the above costs and risks such that FTZ fuel would always be cheaper than domestic fuel. In fact, MAPCO exported significant quantities of AVJET to Japan last year. This is a strong indicator that the costs incurred by local refiners are at a level that makes them competitive in the world markets.
- We are not convinced that FTZ fuel will materially displace locally refined fuel and at this time do not support the idea of expanding the foreign flight exemption and the resulting erosion of the motor fuel tax base.

**PETRO STAR INC.**

Telephone: (907) 344-2661  
Fax: (907) 267-6429

221 Arctic Slope Avenue, Suite 200  
Anchorage, Alaska 99518-3030

January 30, 1996

**STEPHEN T. LEWIS**  
Chairman / CEO

The Honorable Gary L. Davis  
House Transportation Chair  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Re: House Bill No. 362 (to Exempt Jet Fuel Sales to  
Continuing Foreign Origin Flights from Tax)

Dear Chairman Davis:

I had the opportunity to testify before the House Transportation Committee on the above bill last Wednesday, and since most of my remarks were in response to Commissioner Condon's presentation, I feel that it will be useful to reiterate the points that I made. First, Mapco is not the only refinery in Alaska.

Since 1978, when Earth Resources (the predecessor to Mapco) first began operations, I have spent my life in the Alaska refining industry in Alaska. We in the industry are now faced with the dilemma that the State taxes jet fuel that is made in Alaska, while federal law allows foreign-produced fuel to go free of the State tax. This circumstance applies to all fuel that is supplied to flights that arrive from foreign countries and continue on to United States destinations outside Alaska -- approximately one-fifth of the fuel sold at the Port of Anchorage (or 100 million gallons) is involved.

What makes this circumstance particularly galling is that it is a no-win situation for the State. Alaska refiners simply cannot meet their foreign competition when they are saddled with a 3.2 cent per gallon handicap, but the upshot isn't that the State will collect more tax, it is that the air carriers will buy foreign fuel instead of Alaskan.

The fiscal analysis supplied with HB 362 assumes that air carriers will happily pay the tax or that Alaska refiners can absorb it. Commissioner Condon's testimony supported this premise, but the assumptions that this testimony made concerning refinery economics were well off the mark.

The Honorable Gary L. Davis  
January 30, 1996  
Page 2

The Commissioner calculated a cost to Mapco of \$.48/gallon to produce a gallon of jet fuel and transport it to Anchorage. However, several of the assumptions that went into this calculation are incorrect for Mapco or for other refiners.

- The calculation assumes a price at Pump Station No. 1 of 27.4 cents per gallon or \$11.49 per barrel. That may be the price that Mapco pays the State under its quite favorable original royalty oil contract, but only a fraction of Mapco's crude requirements are provided by the State. Prices increasingly are based on the West Coast, and I believe that Tesoro's recent royalty oil contract with the State specifies the West Coast royalty value to Exxon. Petro Star does not purchase any royalty oil, and all of our crude pricing is based on the West Coast.
- The calculation assumes a quality bank fee of only 3.1 cents per gallon. This is approximately half what Petro Star experiences at its refineries in North Pole and at Valdez.
- The calculation assumes refinery costs of 1.2 cents per gallon. This might be an appropriate figure for a full conversion refinery, where most of the barrel can be made into product (indeed, the Commissioner used the very same figure for the foreign refinery to which he compared Mapco), but it is not appropriate for Alaska refiners that return the bulk of the barrel to TAPS. Moreover, the Commissioner seemed to believe that Mapco's plant was all old and paid up -- I do not believe that to be the case.
- Finally, the importance to the Alaska Railroad of the 7.5 cents per gallon that Mapco pays to move jet fuel to Anchorage is nowhere even discussed.

The calculation also is flawed by exaggerating the costs to the foreign refiner. The calculated cost of 52 cents per gallon to deliver jet fuel to Anchorage includes:

- Factoring the price of crude in the Caribbean *spot* market at 39.7 cents per gallon, despite the fact that refiners typically purchase their crude supplies under long-term markets at considerably less than spot.
- As already mentioned, using the same refinery costs for foreign full conversion refineries as for the simple Alaskan refineries. In fact, the

The Honorable Gary L. Davis  
January 30, 1996  
Page 3

costs of living and of doing business are higher in Alaska than they are in the foreign countries that will be exporting jet fuel to Alaska.

- Factoring in exorbitant tanker costs of 10.7 cents per gallon, or \$4.50 per barrel.

Finally, the calculations impute rich margins to both Alaska and foreign refiner by comparing the calculated production costs to Anchorage rack prices, although it is noted that contract prices with major carriers are lower. In fact, as I pointed out, neither Mapco nor Tesoro was competitive in the military fuel bid this year, and much of the fuel for the military is being imported from outside.

In short, the numbers simply do not support the premise that Alaskan refiners can afford to give away a 3.2 cent per gallon advantage to their foreign competitors on a substantial portion of the fuel that they sell. If the sales therefore go away, as all indications are that they will, then Alaska will still lose its revenue stream to the Foreign Trade Zone, but it also will seriously impair the economic health of its refiners and endanger hundreds of jobs.

We often say that refining is a business of pennies, because a penny price swing can be crucial for us -- indeed, competitive bids often are made to four decimal places. For us, the 3.2 cent per gallon disadvantage is enormous. Indeed, even the 0.4 cents added to the foreign refinery's costs by rounding in the administration's calculations would be important to us. For all of the above reasons, as well as those discussed on the accompanying handout, Petro Star strongly urges the legislature and the administration to support HB 362.

Sincerely,



Stephen T. Lewis  
Chairman of the Board/CEO  
Petro Star Inc.

Enclosure

II. EXEMPTION OF ALASKA MADE FUEL FROM THE TAX IS THE SOLUTION MOST CONSISTENT WITH THE STATE'S LONG-TERM DEVELOPMENT OBJECTIVES.

There are two possible solutions to the above disparity: allow Alaska made fuel to benefit from the same exemption as foreign fuel, or eliminate the exemption that currently applies to foreign fuel.

Of these, the first clearly is preferable, particularly if the State's long-term interests are considered. Anchorage obtained Foreign Trade Zone status for the Port to attract and maintain air traffic business. Anchorage has the ability of securing for itself the position as an important air traffic hub in the North Pacific rim, and this business will directly support Alaska's goal of diversifying its economic base. However, improvements in equipment are expected to allow air carriers greater flexibility than they now enjoy -- and certainly greater flexibility than they have enjoyed in the past. Anchorage must compete with other centers for business. Thus even if there were a way for Alaska to carve an exception from the federal rules that govern the Foreign Trade Zone and tax foreign fuel sold to inbound flights, Alaska still could not afford to do so if it wishes Anchorage to remain competitive with other sites.

In sum, the tax currently imposed on Alaska produced fuel will not be collected simply because the carriers will buy foreign fuel instead. The State will not lose money by extending to Alaska fuel

Petro Star Inc.  
January 15, 1996

Page 3 of 4

the same exemption that federal law affords foreign fuel. Even if the State is able to devise a way to collect tax on foreign fuel despite the Foreign Trade Zone rules, this would create a dangerous pressure for carriers to look for alternatives to Anchorage and damage Alaska in the long run. Even now, the television monitors in Sea-Tac Airport are urging construction of a third runway at least in part to improve the attractiveness of the Seattle area as a freight hub that ultimately will draw traffic away from Anchorage. And in the meantime, Alaska refiners may already have an uphill battle to regain the sales that they already are losing in the market.

For all the above reasons, Petro Star strongly urges the Legislature and Administration to support legislation to exempt Alaska-made fuel sold to ongoing foreign-origin flights so that our fuel can compete on even terms with foreign fuel.

Petro Star Inc.  
January 15, 1996

Page 4 of 4

## Alaska Oil and Gas Association

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121 W. Fireweed Lane, Suite 207  
Anchorage, Alaska 99503-2035  
Phone: (907)272-1481 Fax: (907)279-8114  
*Judith M. Brady, Executive Director*

January 29, 1996

The Honorable Gary L. Davis, Chairman  
Transportation Committee  
Alaska State House of Representatives  
Room 420  
State Capitol  
Juneau, Alaska 99801-1182

### HB 362, Aviation Fuel Tax Exemption

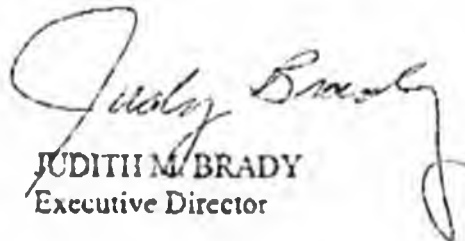
Dear Representative Davis:

The Alaska Oil and Gas Association (AOGA) is a trade association whose members account for the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

AOGA supports passage of HB 362. We are enclosing our statement of support for consideration by the Transportation Committee at its hearing on HB 362 scheduled Wednesday, January 31, 1996.

Please let us know if we can be of any additional assistance to you in this matter.

Sincerely,

  
JUDITH M. BRADY  
Executive Director

Enclosure (via facsimile)

**ALASKA OIL AND GAS ASSOCIATION  
POSITION ON  
HB 362, AVIATION FUEL TAX EXEMPTION  
January 25, 1996**

The Alaska Oil and Gas Association (AOGA) is a trade association whose 19 member companies account for the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

The Association supports passage of HB 362, an act extending the motor fuel tax exemption for fuel sold for use in jet propulsion aircraft to fuel used in those aircraft for flights that continue from a foreign country.

**AOGA MEMBERS:**

<b>Anadarko Petroleum Corporation</b>	<b>Petro Star, Inc.</b>
<b>ARCO Alaska, Inc.</b>	<b>Petrofina Delaware, Inc.</b>
<b>BP Exploration (Alaska) Inc.</b>	<b>Phillips Petroleum Company</b>
<b>Chevron U.S.A. Inc.</b>	<b>Rowan Companies, Inc.</b>
<b>Cook Inlet Region, Inc.</b>	<b>Shell Western E&amp;P Inc.</b>
<b>Exxon Company, U.S.A.</b>	<b>Tesoro Alaska Petroleum Co.</b>
<b>MAPCO Alaska Petroleum Inc.</b>	<b>Texaco Inc.</b>
<b>Marathon Oil Company</b>	<b>Union Texas Petroleum Ak Corp.</b>
<b>Mobil Oil Corporation</b>	<b>UNOCAL</b>
<b>OXY USA INC.</b>	



Official Business

**COMMITTEE:**

HOUSE STANDING COMMITTEE ON  
TRANSPORTATION

**DATE:** 1/24/96

**SIGN-IN**

**Subject of meeting:**

HB 362 Aviation Fuel Tax Exemption

PLEASE PRINT!

**NAME ADDRESS (MAILING) & (ZIP) PHONE REPRESENTING DO YOU WANT TO TESTIFY?**

Commissioner Cowden	Dept of Rev		465-2300	Dept. of Rev	Yes
Bob Bartholomew	" "		465-4773	" "	Yes
Jess Cook	1150 H&H Lane MAPCO Anch, AK 99705		487-2741	MAPCO	yes
Stephen Lewis	201 Arctic Slope Ave Anch		344-2661	Petro Star/Arctic Slope	yes
Carrie Therriault					Yes
Bonnie Gunn	1076 Ocean Dock Rd MAPCO - Anchorage		257-3106	MAPCO	
Pamela LaBelle	217 Second St #201 Juneau, AK 99801		586-2323	State Chamber	Yes

01/24/96

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

13:06:07

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:ANC

TCN:60213

SCHEDULED FOR:01/24/96 13:00 TO 15:00

FOR:ANC

PUBLIC HEARING

HOUSE TRANSPORTATION

LOCATION:ANCHORAGE

HB 362

JAMES

BURNS

*Peter Martin Sves*

TESTIFY

HB 362

KIM

DANIELS-ROSS

*AK Air Carriers Assoc*

TESTIFY

*Good you find out who these people represent?*

**HB**

**366**



## SPONSOR STATEMENT

### HB 366

"An Act relating to marine safety training and education programs."

JANUARY 11, 1996

The Alaska Marine Safety Education Association (AMSEA) has been operating in the State of Alaska for 10 years. The primary purpose of this organization is to reduce the loss of life and injury in the Alaskan marine environment by providing education through a statewide network of qualified marine safety instructors.

AMSEA provides the safety training required by the Commercial Fishing Vessel Safety Act of 1988 to communities throughout Alaska. The Act, which took effect in 1991, requires a minimum in safety training and equipment for commercial fishing vessels.

AMSEA also helps Alaskans by providing marine safety instructor training who in turn teach drill instructor courses. These marine safety instructors also train the Alaska boating and fishing public, including many children and adults, in marine safety. Of the 7300 people AMSEA trained in 1995, 2000 were from the commercial fishing industry, 3700 were children.

According to a recent study by the Native Health Service, AMSEA training significantly reduced fatalities among commercial fishermen. This coincides with a 50 percent drop in fishing fatalities in Alaska in the last four years.

AMSEA is a nonprofit, community-based information and training network, supported by many volunteers. Its annual budget has ranged from \$100,000 to \$250,000 in the past five years. It has been receiving 100 percent of its funding from federal grants but these federal grant programs are ending June 30, 1996. This organization deserves our intervention to ensure long-term funding source stability.

The Fishermen's Fund (AS 23.35.060) was created before statehood. One hundred percent of the fishermen's fund is funded by commercial fishing license fees. Sixty percent of license fees are dedicated to this fund. Since commercial fishermen are the beneficiaries of the required marine safety training, it is appropriate to allow part of the interest on the fund to be used to fund some of AMSEA's marine safety programs.

It is estimated that the Fishermen's Fund generates approximately \$310,000 in interest a year. By way of this legislation, AMSEA is requesting approximately \$155,000 a year.



## Alaska Marine Safety Education Association

P.O. Box 2592, Sitka, Alaska 99835 PH (907) 747-3287 FAX (907) 747-1406

August 4, 1995

Alan Austerman  
P.O. Box 2368  
Kodiak, Ak. 99615

Dear Representative Austerman:

I am writing this letter to you in regards to funding for AMSEA's statewide training and education efforts in marine safety. Our financial situation now is critical. This summer, our budget (which comes solely from federal sources) has been cut by 75% from an already very minimal staff and low overhead program.

Through AMSEA's efforts in FY 95, over 7,500 people in trained in marine safety. Over of those trained are children, and over 1,000 were commercial fishermen, who are required to take USCG approved training in conducting emergency on board drills and survival. The AMSEA network of community based marine safety instructors has been responsible for training over 2,800 commercial fishermen in this requirement over the last 4 years. This has resulted in training being brought into over 60 Alaskan fishing ports. As a recent study has indicated (Perkins study enclosed), this training has been at least partly responsible for the 50% reduction in commercial fishing fatalities over the last 3 years in Alaska.

Alaska is the only state in the nation without a safe boating program, yet Alaska has the highest drowning rate in the nation (12x the national average). AMSEA has tried to fill in this education gap for the last 10 years, but without some state support at this point, AMSEA's efforts will be reduced to near zero.

AMSEA recognizes that fiscal belt tightening needs to occur at both the state and federal level. However, there is a source of fishermen contributed revenues that could be used to support AMSEA's work. The Fishermen's Fund was established in the early 1950's to help defray minor medical costs suffered by fishermen on the job. This fund is totally contributed to by fishermen. Income to this fund has greatly increased over the past few years and expenses keep decreasing. Although this is a grandfathered dedicated fund, the interest it is now earning goes into state general operating revenues. At this time there is over 7.2 million dollars in this Fund. AMSEA cannot and does not wish to tap into this dedicated fund's principal itself, but thinks it would make common sense to use just 50% or so of the \$300,000 in interest the Fund generates annually and put this back into injury prevention in fisheries and marine users.

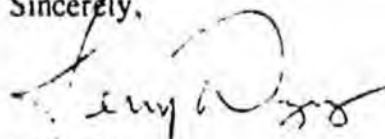
AMSEA is seeking your support for this funding in the next legislative session. We have the support from a number of fishing groups on this issue. Sitka's Representative, Ben Grussendorf is interested in working with you and Carl Moses this summer to pave the way for introducing a bill in the next legislature and working this through the budgetary process.

We hope that we can gain your support for this important work. AMSEA has worked for over

10 years to build expertise in marine safety relevant to the Alaska working, recreational and subsistence environment. It would be grossly inefficient to lose this expertise and then have to recreate it all again at a future date because the need was still great.

Please feel free to contact this office or Rep. Grussendorf if you need any other information on this matter at this time. Thank you in advance for your support.

Sincerely,



Jerry Dzuga  
Director/Training Coordinator

c.c. Rep. Ben Grussendorf  
Rep. Carl Moses

enc: Perkins study  
AMSEA Accomplishments  
Proposal for long term funding base for AMSEA  
Port list of AMSEA outreach delivered Drill Instructor courses  
AMSEA brochure



**Alaska Marine Safety Education Association**  
P.O. Box 2592, Sitka, Alaska 99835 PH (907) 747-3287 FAX (907) 747-1406

### AMSEA ACCOMPLISHMENTS IN LAST 10 YEARS

- Trained over 40,000 members of the public in marine safety
- 20,000 of those trained were children in Coastal and Interior Alaska.
- Trained over 2,500 commercial fishermen in required Drill Instructor training in 57 Alaskan ports.
- Trained over 400 Marine Safety Instructors who train members of the public in 50 home ports.
- Surveys document that at least 40 lives have been saved as a result of AMSEA training.
- A recent study has found that AMSEA's training had been responsible in part for the 50% reduction in commercial fishing fatalities in the last several years.
- Brought marine safety training into numerous remote Alaskan schools statewide.
- Sends out over 1,300 Marine Safety Update publications to mariners in Alaska 4 times a year.
- Acts as a clearinghouse for marine safety information. AMSEA's curriculum is a standardized curriculum on marine safety relevant to the Alaskan environment.
- Maintains an inventory of marine safety videos, supplies and training equipment to loan.
- Has written and produced award winning marine safety publications, displays and videos.
- Coordinated marine safety training efforts with over 50 public and private agencies.
- Worked with the Coast Guard to problem solve marine safety equipment problems and regulations.
- Helped members of the public access marine safety equipment resources.

AMSEA's efforts in marine safety have been recognized by awards from the U.S. Department of Health and Human Services, National Safety Council, U.S. Marine Safety Association and the Alaska Safety Advisory Council, among other awards.



# Alaska Marine Safety Education Association

P.O. Box 2592, Sitka, Alaska 99835 PH (907) 747-3287 FAX (907) 747-1406

DATE: Jan. 16, 1995  
TO: Amy Daugherty, Rep. Austerman's office  
FROM: Jerry Dzigan, AMSEA  
SUBJECT: AMSEA FUNDING SOURCES FOR PAST 5 YEARS

Number of pages faxed 2

### Projected FY 97 without state support

Federal NIOSH (till 9/30/96 only)	\$ 10,000
AMSEA memberships and donations	est 5,000
<u>FY 97 Total</u>	<u>\$ 15,000</u>

### FY 96

National Institute of Occupational Safety & Health (NIOSH)	\$ 40,130
(last year of 3 year grant- NIOSH being targeted altogether for elimination)	
Federal EMS for Children program	11,000
(one year grant- may be eligible to reapply)	
AMSEA Memberships and donations (estimated)	6,000
<u>FY 96 Total</u>	<u>\$ 57,130</u>

### FY 95

Carl Perkins Vocational Training Grant (Federal DOE)	\$ 54,164
(One year only-federal program discontinued in 1995)	
NIOSH	41,694
(2nd year of 3 year grant)	
Federal Health Promotion grant	25,000
(Last year of two year grant- program ended in 1994)	
U.S. Coast Guard	25,000
(One time contract for evaluation study)	
Center Disease Control (CDC) & Injury Prevention	17,500
(Last year of multi-year grant: discontinued)	
Federal EMS Children program	11,000
(one year grant)	
AMSEA Membership and donations (private)	5,000
<u>FY 95 Total</u>	<u>\$179,358</u>

### FY 94

Carl Perkins Vocational Training Grant (Federal DOE)	\$ 69,428
(one year only)	
NIOSH	50,000
(First year of three year funding)	
U.S. Coast Guard	50,000
(last year of unsolicited grant)	
Federal CDC grant	36,000
(third year of multi-year grant)	
Federal Health Promotion grant	25,000
(first year of new two year grant)	
AMSEA memberships and donations (private)	4,000
<u>FY 94 Total</u>	<u>\$234,428</u>

Support Organizations: Alaska Department of Public Safety - Alaska Department of Health & Social Services, Emergency Medical Services Section  
 Alaska Native Health Service - Alaska Vocational Technical Center - Southeast Alaska Regional Health Consortium  
 Southeast Region Emergency Medical Services Council - University of Alaska Marine Advisory Program - United States Coast Guard, 17th District

	<u>FY 93</u>	
U.S. Coast Guard (first year of two year unsolicited grant)		50,000
Federal CDC grant (second year of multi-year grant)		50,000
Federal Health Promotion (last year of two year grant)		20,000
AMSEA memberships and donations (private)		@ 3,000
<u>FY 93 Total</u>		<u>\$123,000</u>

	<u>FY 92</u>	
Federal CDC grant (first year of multi year grant)		\$ 43,334
Federal Health Promotion (first year of two year grant)		20,000
U.S. Coast Guard grant (first of multiyear)		7,900
AMSEA memberships and donations (private)		1,950
Boat/U.S. Foundation		1,226
<u>FY 92 Total</u>		<u>\$ 74,410</u>