

**Alaska Aerospace Corporation - Launch Pad 3
Development**

**FY2012 Request: \$30,000,000
Reference No: AMD 54549**

AP/AL: Appropriation

Project Type: Construction

Category: Development

Location: Kodiak Island Borough

House District: Kodiak (HD 36)

Impact House District: Kodiak (HD 36)

Contact: Susan Colligan

Estimated Project Dates: 04/15/2012 - 06/30/2017

Contact Phone: (907)428-6881

Brief Summary and Statement of Need:

In partnership with Lockheed Martin, the Alaska Aerospace Corporation will construct a \$125 million launch complex for medium lift rockets. Main items are design and permitting, subsurface and foundation construction, Launch Pad 3 facilities, Vehicle Processing Facility, and ancillary support facilities. This facility will allow Alaska to partner with major aerospace companies to increase the quantity of launches from Kodiak and the establishment of aerospace manufacturing in the State.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Gen Fund	\$25,000,000						\$25,000,000
Stat Desig	\$5,000,000		\$95,000,000				\$100,000,000
Total:	\$30,000,000	\$0	\$95,000,000	\$0	\$0	\$0	\$125,000,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input checked="" type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Prior Funding History / Additional Information:

This is a new project with no previous funding. Maintenance costs will be covered by the Alaska Aerospace Corporation (AAC) Operations and Maintenance funding and current AAC employees.

Project Description/Justification:

In partnership with Lockheed Martin, the Alaska Aerospace Corporation will construct a \$125 million launch complex for medium lift rockets at the Kodiak Launch Complex (KLC). Main items are the design and permitting, subsurface and foundation construction, Launch Pad 3 facilities, Vehicle Processing Facility, and ancillary support facilities. This appropriation only covers the design, permitting, subsurface, and foundation construction. This appropriation triggers an even larger private investment by a major aerospace company that will facilitate the funding of the remaining facilities. Lockheed Martin will work to secure the additional funding needed to build the launch complex.

This facility will allow Alaska to partner with major aerospace companies to increase the quantity of launches from Kodiak and the establishment of rocket component manufacturing in Alaska.

Construction of the Launch Pad 3 Complex is required for AAC to compete for medium lift launch opportunities. Launch Pad 3 will increase the maximum payload to orbit from about 4,000 lbs to

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13,000 lbs, which will encompass the majority of non-geostationary satellites. This project will expand the size of satellites that can be launched from Kodiak and allow Alaska to compete for a greater number of launch opportunities. Successful competition will draw high dollar value satellite programs to Alaska, which will provide opportunities for aerospace manufacturing in the State while supporting traditional aerospace related services, such as hospitality, transportation, and communication.

Cost break down of the \$25 Million general funds for the construction of the Kodiak Launch Complex, Launch Pad 3, Medium Lift Launch Capability.

- \$3 Million: Detailed engineering design and permitting.
Time frame: Begin: March FY12 through FY13
- \$10 Million: Initial earthwork, Launch Pad foundation and Flame Trench.
Time frame: Begin May/June FY12 through FY13
- \$12 Million: Beginning build on Launch Pad 3 and Vehicle Processing Facility.
Begin July/August FY13 through FY14
Plus \$100 Million to complete the Facility.
Time frame FY13 & FY14 – Initial Operational Capability September/October 2014



Ms Pat Pitney
Director, Office of Management and Budget
Court Plaza Building,
240 Main St. Suite 802
Juneau, AK 99801

January 5, 2015

Dear Ms. Pitney,

In response to Administrative Order (AO) 271, dated December 26, 2014, Section C, Alaska Aerospace Corporation (AAC) submits the attached spreadsheet to comply with the AO direction.

In our review of AO 271, it was concluded that the purpose of the AO was to restrict the expenditure of discretionary funds appropriated by Sec. 7, Ch. 17, SLA 2012 for discrete capital projects, as is being done by AAC with the New Medium Lift Launch Pad project at the Kodiak Launch Complex. That is the only project currently being conducted by AAC specifically using state appropriated funds for capital project development. As a public corporation, AAC is conducting other aerospace related activities, such as tracking the Dragon capsule, sales of Alaska geospatial imaging data, commercial launches from Launch Pad 1, and other related services. Therefore, it is our conclusion that the restriction of expenditures for KLC only applies to the New Medium Lift Launch Pad project.

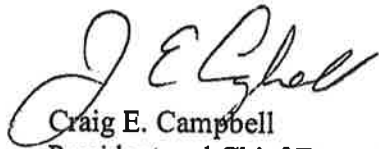
As I mentioned to Governor Walker in our December 19, 2014 meeting, and reiterated at our meeting this past Friday, as a result of the proposal process we initiated last year AAC has issued an "Intent to Award" letter to Lockheed Martin for the purpose of developing medium lift capability at KLC. AAC intends to use no more than \$3.0 million of the \$25.0 million appropriated for medium lift capability at KLC under Sec. 7, Ch. 17, SLA 2012 for this purpose. The remaining \$22.0 million is available to the state for whatever purpose the administration may wish to use it. In compliance with AO 271, AAC is not proceeding with any expenditure for the medium lift project at this moment, but would request that the administration approve the use of the remaining \$2,317,000 of the \$3.0 million to allow AAC to bring medium lift capability to Alaska at the earliest opportunity.

AAC fully recognizes the difficult fiscal issues facing Alaska and believes that diversifying our economy is part of the long term solution. Over the past two years AAC has aggressively marketed our launch service capability and expanded into new market areas in order to reduce the requirement for state funding. We believe it is our fiduciary responsibility to conservatively invest in new business markets that have the potential to bring new jobs and

commercial funding to our state. I appreciated our meeting last Friday, where we were able to share with you many of the new opportunities we are pursuing and show you some of the new business ventures we have started. AAC wants to be part of the solution, not part of the problem. We believe that our innovative approach to bringing medium lift launches to Alaska can result in increased capability at a fraction of the cost that was projected just three years ago.

In conclusion, we ask that AAC be allowed to continue with the medium lift initiative, not to exceed the \$3.0 million appropriated in Sec. 7, Ch. 17, SLA 2012 and that AAC also remain in the governor's budget for \$4.0 million of general funds for operations. This is a 50% reduction from two years ago and keeps us on track to eliminate the requirement for state general funds by FY2018 without jeopardizing market opportunities and current launch contracts. AAC is a different company than in 2012. At that time AAC had become 100% dependent on state funding. Our states financial condition today does not permit that, nor is that the purpose for which AAC was incorporated. The team at AAC has worked hard to expand our business model, attract new launch customers, and diversify our business portfolio to reduce the demand for state funding and make AAC an economic driver for Alaska. We request that we be allowed to complete our transformation with your support.

Respectfully submitted,



Craig E. Campbell
President and Chief Executive Officer

Attachment: Excel Spreadsheet on KLC Medium Lift Project

cc: DMVA

[illegible]