

HB 158 Summary of Legislation

The Knik Arm Crossing is a vital infrastructure project, a bridge that will connect Alaska, help create jobs, encourage smart growth, and economic development, while improving the environment and the quality of life for the people served by the project. Simply said, this is an investment in Alaska's future that will pay dividends for years to come.

HB 158 will aid in the successful procurement of the Knik Arm Crossing, reduce the cost of project finance and generate the best value to the State of Alaska. The passage of this legislation will facilitate the project to be open for traffic in 2015.

Proposed Legislation – HB 158

Amends Alaska Statutes 19.75 with the structural changes summarized below

Increase in Bonding Authority from \$500 million to \$600 million

- Matches \$600 million in federal tax exempt Private Activity Bond (PABs) capacity allocated to the project
- PABs require a public entity to act as conduit issuer for the private borrower
- Any PABs issued are a liability of the private partner, not the State
- Tax-exempt nature lowers the cost of capital and provides better value proposals to the State

Property Tax Clarification

- Clarifies that the bridge and associated connectors are not subject to property taxes if operated by a private partner on behalf of the state (already exempt if operated by the state)
- Identical to all other publicly owned transportation projects in the State
- Any private facilities of the private partner, not serving the public transportation purpose, remain subject to property tax

Contractual Obligations

- Language creates a moral obligation of the state to stand behind liabilities that may arise under the public-private agreement, subject to appropriation
- Improves the project's credit rating, reducing the cost of debt and equity to finance it
- Results in lower availability payment proposals, generating best value for the State
- Serves to keep tolls affordable to the traveling public and supports the shortest possible contract term
- Toll revenue is projected to be more than sufficient to repay all project obligations over the life of the public-private agreement.

Project Reserve Fund.

- Establishes the ability for KABATA to create specific reserve funds and accounts necessary to properly manage the revenues and contractual obligations for the project
- Used to make availability payments to compensate the private partner for the finance, design, construction, operations and maintenance of the facility
- Results in lower availability payment proposals, generating best value for the State
- Serves to keep tolls affordable to the traveling public and supports the shortest possible contract term
- As the reserve fund builds a surplus, the surplus will be used to fund other needed transportation projects
- Establishes the Knik Arm Crossing Fund to hold the appropriation until the agreement is executed