

HB 23 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 23 will aid 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 2017.

Proposed Legislation – HB 23

Amends Alaska Statute 19.75 with structural amendments to achieve the best value for the state of Alaska. Summarized Below:

Increase in Bonding Authority to \$600 million

- Increase to match \$600 million in federal 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.

Project Reserve Fund.

- Used to supplement availability payments to compensate the private partner for the finance, design, construction, operations and maintenance of the facility until toll revenues build up to sufficient levels to fully cover the payments.
- 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 that fall under the federal Title 23 and Title 49 categories.
- Establishes the Department of Revenue as the fiduciary to hold the appropriation until the public-private agreement is executed.
- Requires annual reporting to the legislature and Governor on the status of the reserve fund, and establishes the mechanism for replenishment of the fund subject to appropriation.

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 (the facility is already exempt if operated by the state.)
- Identical to all other publicly owned transportation projects in the State.
- Any private facilities of the developer not serving the public transportation purpose remain subject to property tax.