

**Knik Arm Bridge and Toll Authority (KABATA) Project Reserve**      **FY2014 Request: \$10,000,000**  
**Reference No: 56677**

**AP/AL:** Appropriation      **Project Type:** Construction  
**Category:** Transportation  
**Location:** Southcentral Alaska      **House District:** Southcentral Region (HD 7-30)  
**Impact House District:** Southcentral Region (HD 7-30)      **Contact:** Pat Kemp  
**Estimated Project Dates:** 07/01/2013 - 06/30/2018      **Contact Phone:** (907)465-3900

**Brief Summary and Statement of Need:**

The Knik Arm Bridge and Toll Authority (KABATA) is requesting funding of a project reserve to enhance the credit for the Knik Arm Crossing Project (Project). Funding the reserve will enable the project to receive a low cost Transportation Infrastructure Financing Innovation Act (TIFIA) loan from the United States Department of Transportation (USDOT). The TIFIA interest rate is the 30 year treasury rate plus 1 basis point, currently 2.83%. The low rate will save the State hundreds of millions over the term of the public-private agreement. The private partner will be the borrower of the TIFIA loan.

<b>Funding:</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>Total</b>
Gen Fund	\$10,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000		\$150,000,000
<b>Total:</b>	<b>\$10,000,000</b>	<b>\$35,000,000</b>	<b>\$35,000,000</b>	<b>\$35,000,000</b>	<b>\$35,000,000</b>	<b>\$0</b>	<b>\$150,000,000</b>

<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 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	
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Prior Funding History / Additional Information:**

Sec1 Ch82 SLA2006 P104 L33 SB231 \$93,600,000  
 Sec1 Ch82 SLA2003 P49 L24 SB100 \$33,600,000

Legislation to establish the project reserve fund is expected to be introduced during the 2013 legislative session. Projections of future appropriations between FY2015 - FY2018 will depend on revenue forecasts and Governor and Legislative actions going forward.

**Project Description/Justification:**

The project is being procured under a public-private partnership (P3). In order for the value of the TIFIA loan to come to the State, it needs to be available to the teams competing for the Project prior to submitting proposals. Demand for limited TIFIA loan capacity is high. The TIFIA office has received letters of interest requesting between \$9.1 and \$13.5 billion of TIFIA loans. There is \$7 billion of capacity available in FY2013. The reserve fund will secure TIFIA capacity for Alaska.

KABATA is working to make low cost financing tools available to the shortlisted teams to consider in their plan of finance. \$600 million of tax-exempt private activity bonds (PABs) capacity has been

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obtained from USDOT for the project from the \$15 billion national cap. Tax exempt bonds have a lower cost than taxable bonds. KABATA is also pursuing a Transportation Infrastructure Financing Innovation Act (TIFIA) loan of up to \$500 million for the Project from FHWA. TIFIA is a low-cost, subordinated loan program with patient repayment terms. The TIFIA interest rate is the 30 year Treasury rate plus 1 basis point, presently 2.83%. There is also a rural preference element within the TIFIA program that will lend at half the basic TIFIA rate. It appears that 56% of the project meets the rural definition of the TIFIA program. TIFIA will lend up to 49% of eligible project costs.

The teams competing for the project will consider the lowest cost financing available. To the extent the State can make tools like PABs and TIFIA available prior to proposal submission, the value of the low cost financing for the private sector will come back to the State through the competition in the form of lower availability payment proposals. Since TIFIA is the lowest cost capital available in the market place, it is important to make it available now. TIFIA will reduce the availability payments by hundreds of millions over the 35 year term of the PPA, providing great value to the State.

The TIFIA office of FHWA has indicated to KABATA that the project would not be invited to submit an application for a TIFIA loan until the project reserve is funded or there is a reasonable expectation that it would be funded in the near future. Providing project reserve funding through the capital budget will signal the TIFIA office that the State is serious about obtaining a TIFIA loan, and KABATA will be allowed to submit an application for TIFIA.

The TIFIA program has limited lending capacity – approximately \$7 billion for federal fiscal 2013 and \$10 billion for 2014. There is very high demand for this low cost financing. TIFIA loan demand exceeds the fiscal 2013 loan capacity. As of October 11, 2012, eighteen Letters of Interest (LOI) were received by the TIFIA office, including the project's LOI, requesting between \$9.1 billion and \$13.5 billion in TIFIA loans. Additional LOIs for the TIFIA loan program are anticipated. After review and acceptance by the TIFIA office, entities submitting LOIs are then invited to submit an application. The program allocates loan capacity on a first come first served basis based on application submission. Providing funding for the project reserve will result in KABATA being provided the opportunity to submit a TIFIA application and reserve some of the limited TIFIA lending capacity for the project.

KABATA has completed environmental clearance under the National Environmental Policy Act. In November 2010 the National Marine Fisheries Service issued a biological opinion that the bridge would not jeopardize the continued existence of the Cook Inlet stock of beluga whales, which had been declared endangered. That was followed by the FHWA issuing a "build" Record of Decision in December 2010. KABATA has been acquiring right of way and expects to have all necessary rights of entry to construct by mid-2013. Key permits have been applied for and are also expected to be in place in 2013. The Section 401 Water Quality Certification for the project was issued by the Alaska Department of Environmental Conservation on September 26, 2012.

The project will generate approximately 1,500 direct jobs annually over the construction period. It will provide an essential second link between Anchorage and points north for the movement of people and freight and for safety; intermodal connectivity between ports, airports and rail; and access to land and resources for economic development and housing and to support projected population growth.