

ALASKA STATE LEGISLATURE

Session:
State Capitol Building,
Room 428
Juneau, Alaska 99801-2186
Phone (907) 465-3004
Toll Free: (877) 465-3004



Interim:
1292 Sadler Way
State Capitol Building
Fairbanks, Alaska 99701
Fax: (907) 452-1146

REPRESENTATIVE STEVE THOMPSON DISTRICT 2

SPONSOR STATEMENT FOR HB 140

"An Act authorizing the Alaska Railroad Corporation to issue revenue bonds to finance a positive train control rail transportation safety project that qualifies for federal financial participation; and providing for an effective date."

HB 140 will authorize the Alaska Railroad Corporation (ARRC) to issue up to \$37 million in tax-exempt bonds backed by Federal Transit Administration (FTA) formula funds received annually by ARRC. Bond proceeds will be used to finance Positive Train Control (PTC): a safety program mandated by the federal government without any correlating funding, which is estimated to cost ARRC approximately \$158 million.

ARRC proposes to refinance \$66 million in existing bonds and extend the repayment date in order to issue an additional \$37 million in bonds to pay for a major portion of the remaining \$55 million in PTC costs.

Under AS.42.40.285 ARRC is required to receive legislative approval to issue bonds. In no event will the general credit of the State of Alaska or ARRC be pledged for the repayment of these bonds. AS.42.40.500 requires that all liabilities incurred by ARRC shall be satisfied "exclusively" from the assets or revenue of ARRC and not the State.

Debt payment for the bonds will come from a portion of Federal Transit Administration (FTA) formula funds which are statutorily mandated by Federal law and received annually by ARRC. Issuing debt backed by FTA formula funds is authorized through FTA regulation and has already been used by ARRC to issue bonds.

PTC is technology designed to stop or slow a train before human-error causes an accident to occur. In 2008, the federal Rail Safety Improvement Act required certain railroads to install a fully functional PTC system by the end of 2015; by virtue of its passenger service, ARRC is subject to this requirement. A failure to implement PTC will force ARRC to severely curtail or eliminate passenger service and/or face severe fines for non-compliance.

Estimates for this large research and development project indicate that it will cost approximately \$158 million to implement. Since 1997, ARRC has invested \$68.9 million to develop a PTC system. In 2013 and 2014, ARRC received an additional \$19.1 million and \$15 million respectively from the State of Alaska to continue work on PTC. Between 2016 and 2018, an additional \$55 million will be required for ARRC to complete the development and installation of PTC by 2018. This figure does not include the estimated \$5 million to \$7 million per year of operating and capital maintenance costs related to the system that ARRC will fund after PTC is installed.