

**FISCAL NOTE**

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 271  
 (S) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correctic \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 Title Alaska Marine and Rail Transport Authority BRU \_\_\_\_\_  
 Component Alaska Railroad Corporation  
 Sponsor Senator Ward  
 Requester Senate Transportation Component No. \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

<b>OPERATING EXPENDITURES</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Personal Services	1,460.4	1,426.8	1,426.8	1,426.8	1,426.8	1,426.8
Travel	80.0	72.0	74.2	76.4	78.7	81.0
Contractual	3,589.5	3,489.5	3,594.2	3,702.0	3,813.1	3,927.5
Supplies	30.0	30.9	31.8	32.8	33.8	34.8
Equipment	126.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>5,285.9</b>	<b>5,019.2</b>	<b>5,127.0</b>	<b>5,238.0</b>	<b>5,352.3</b>	<b>5,470.1</b>

<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN ARRC REVENUES</b>	<b>(11,000.0)</b>	<b>(11,260.0)</b>	<b>(11,590.0)</b>	<b>(11,940.0)</b>	<b>(12,350.0)</b>	<b>(12,850.0)</b>

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5,285.9	5,019.2	5,127.0	5,238.0	5,352.3	5,470.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds						
<b>TOTAL</b>	<b>5,285.9</b>	<b>5,019.2</b>	<b>5,127.0</b>	<b>5,238.0</b>	<b>5,352.3</b>	<b>5,470.1</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal

**POSITIONS**

Full-time	18	18	18	18	18	18
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached sheet.

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 Approved by: Deborah B. Sedwick, Commissioner  
 Agency Department of Community & Economic Development

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 Date 2/26/2002

## SB 271 #1 Assumptions:

The proposed legislation appears to envision three major administrative units comprising the Authority – the Alaska Marine Highway System (AMHS), the Alaska Railroad Corporation (ARRC), and the central Authority executive office (System Office). This fiscal note discusses financial impacts to ARRC and the System Office; AMHS' impacts will be addressed through its fiscal note submission.

The legislation creates a Board of Directors of the Authority and abolishes the current ARRC Board. It is assumed that the cost of this Authority Board will be roughly equivalent to that of the existing ARRC Board; as such, no incremental cost is presented.

The legislation also creates a Board to provide oversight of the fund where the revenues of the Authority would be constitutionally dedicated. This eight member Board's compensation and travel expenses are presented in the fiscal note; eight three-day meetings are estimated for the first year due to the transition/implementation, with six two-day meetings necessary in subsequent years.

With regard to funding the System Office, it is assumed that the existing ARRC CEO and administrative head of AMHS will assume the Chief Operating Officer positions identified in the proposed legislation. As such, a new position, Authority CEO will be necessary. With this position will also come an administrative assistant position. Further, it is assumed a Chief Financial Officer (CFO) for the Authority will be necessary to ensure coordinated financial management of the two operating divisions. This fiscal note also assumes adding 15 additional staff for real estate activities, in addition to the 9 ARRC Real Estate Division employees that would be transferred to the System Office. Travel expenses and office space/supplies are also included. System Office contractual expenses are estimated conservatively and include such items as the incremental cost of auditing the new agency as well as consulting efforts through transition. Contractual services related to the real estate group include estimates for platting, surveying, and transferring the land from DNR to the new Authority. Significant contract legal costs would also be incurred.

No revenue is assumed to be received from the lands to be transferred during the time of the fiscal note (FY 03 – 08).

## Fiscal Impact to ARRC

The most direct impact to ARRC will be the loss of the real estate revenue that has served as the primary driver of the corporation's net income for the last decade. The transfer of this income, estimated at \$11 million in 2003, will cripple ARRC's internally funded capital program. To this point, all of the Railroad's earnings have been reinvested in the corporation's infrastructure in an effort to lessen the considerable amount of deferred maintenance that is a reality at ARRC. Removing this income stream from the corporation will have the effect of cutting ARRC's necessary capital program, both from an internal funding perspective and from a federal perspective, as internal funds are necessary to provide required match to federal grant funds received by the corporation. As was the case under federal ownership, the Railroad will soon begin slipping back into decline from a safety and customer service perspective.

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1. ARRC's 9 real estate employees currently are responsible for 2,500 acres of leased land out of a total of approximately 17,000 acres available. Adding 500,000 acres of land will require a significant ramping up of the real estate function; as such, this estimated addition of 15 employees is considered very conservative.

2. The amount included in the fiscal note is based upon a bill analysis prepared in 1999 by DNR for proposed transfer of lands to the UA System and is considered a conservative figure.