FISCAL NOTE

STATE OF ALASKA	Fiscal Note Number: 1
2002 LEGISLATIVE SESSION	Bill Version: SB 296
	(S) Publish Date: 2/13/02

Revision Date/Time (Note if correction):		Dept. Affected:	
Title	Gas Pipeline Financing	BRU	Alaska Railroad Corporation
		Component	Alaska Railroad Corporation
Sponsor	Rules by Request		
Requester	Governor	Component No.	

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	**FY 2003**	**FY 2004**	**FY 2005**	**FY 2006**	**FY 2007**	**FY 2008**
Personal Services						
Travel						
Contractual			163,000.0			
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	**0.0**	**0.0**	**163,000.0**	**0.0**	**0.0**	**0.0**
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds			163,000.0			
TOTAL	**0.0**	**0.0**	**163,000.0**	**0.0**	**0.0**	**0.0**

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						
Part-time						
Temporary						

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

See attached sheet.

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Division	Alaska Railroad Corporation	Date/Time	2/12/02 4:03 PM
Approved by:	Deborah B. Sedwick, Commissioner	Date	2/12/2002
Agency	Department of Community & Economic Development		

STATE OF ALASKA **BILL NO. SB 296 #1**
2002 LEGISLATIVE SESSION

ANALYSIS CONTINUATION

The bill authorizes the issuance of up to $17 billion in revenue bonds by the Alaska Railroad Corporation (ARRC) to pay for 70% of the construction of a natural gas pipeline. Based upon current estimates, ARRC could issue $14,265,000,000 in bonds as early as state Fiscal Year 2005. ARRC will act as a conduit for the issuance of these bonds to allow the debt to be issued as tax exempt. Through modeling, the tax exemption has been shown to reduce the cost of financing the project by over one billion dollars. The Bonds would be solely secured by revenues generated by the pipeline. The Alaska Railroad will bear no liability and have no responsibility for repayment of the bonds.

The projected costs of issuing the bonds determined here will be paid with bond proceeds at closing. Anticipated professional services include those related to financial advisors, attorney's fees (bond counsel, underwriter's counsel, tax counsel, negotiating with producers), rating agencies, underwriters, printing, travel, public notices, and the feasability consultant. ARRC will front certain minor necessary reimbursable costs from corporation revenues.

For purposes of this fiscal note, it is assumed that bonds with a face value of $14.265 billion will be issued in FY 2005. The bonds are expected to be issued with a 25 year term and for modeling purposes carry an interest rate of 6.5%. As the project will not generate revenue while under construction, the first two years of interest payments will be made with bond proceeds. Following construction, annual debt service will begin at approximately $1.3 billion, growing to $1.4 billion in year 6 and then gradually lowering to $800 million in the final year. However, ultimately, issuance amounts, dates, term, interest rate, and other significant variables will be dependent upon the financing structure determined by market conditions at the time of sale of the bonds.