

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION COMMITTEE

May 2, 2001
3:50 p.m.

MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Jerry Ward, Vice Chair
Senator Robin Taylor
Senator Gary Wilken
Senator Kim Elton

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 191(FIN) am
"An Act authorizing financing for certain public transportation projects; giving notice of and approving the entry into, and the issuance of revenue obligations that provide participation in, lease-financing agreements for those transportation projects; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

HB 191 - No previous Senate committee action.

WITNESS REGISTER

Mr. Kurt Parkan
Deputy Commissioner
Department of Transportation &
Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898

POSITION STATEMENT: Answered questions about CSHB 191(FIN)am

Mike Scott
Municipality of Anchorage and Alaska Municipal League
P.O. Box 196650
Anchorage, AK 99519

POSITION STATEMENT: Supports CSHB 191(FIN)am

John Rabina

George K. Baum & Company
No address provided

POSITION STATEMENT: Supports the GARVEE bond approach to finance road construction projects.

ACTION NARRATIVE

TAPE 01-17, SIDE A
Number 001

CHAIRMAN JOHN COWDERY called the Senate Transportation Committee meeting to order at 3:50 p.m. Present were Senators Taylor, Wilken, Elton and Cowdery. Senator Ward arrived at 3:51 p.m. The committee took up CSHB 191(FIN)am.

#HB 191

HB 191-FINANCING FOR TRANSPORTATION PROJECTS

MR. KURT PARKAN, Deputy Commissioner of the Department of Transportation and Public Facilities (DOTPF), thanked the committee for hearing the "GARVEE bond" bill. He noted DOTPF has distributed quite a bit of information on GARVEE bonds to committee members so, in the interest of time, he would answer questions committee members may have.

SENATOR WARD told the committee he planned to propose an amendment at the appropriate time.

SENATOR TAYLOR asked if the list of projects in CSHB 191(FIN)am are in the Statewide Transportation Improvement Plan (STIP).

DEPUTY COMMISSIONER PARKAN said that all of the projects will be in the STIP if they aren't already because that is a federal requirement of GARVEE bonds. He explained that some of the projects added by the House are further out on the STIP but all projects in the bill have been identified by DOTPF as projects in the STIP.

SENATOR TAYLOR said a project could be included in the STIP yet take six years to get to the top of the list. He asked whether DOTPF has modified the STIP to bring it into compliance with the list in CSHB 191(FIN)am.

DEPUTY COMMISSIONER PARKAN said the STIP does not need to be modified until DOTPF has authorization for the bonds, at which time the STIP will be modified using a process established by the Federal Highway Administration (FHA).

SENATOR TAYLOR asked how the legislature will be assured that the projects in CSHB 191(FIN)am will in fact appear on that list. He commented that he thought the STIP was an independent rating system done within DOTPF.

DEPUTY COMMISSIONER PARKAN explained the STIP has certain mechanisms by which projects are included. He said:

Certainly there's the CTP program which has rating criteria; there's the NHS; there's other elements of it. With GARVEES, the projects are absolutely placed into the STIP. If we go forward within them at all, they have to be in the STIP. It's in effect, forcing projects to be placed in the STIP, which is, in a way, more controlling of a project's completion than the STIP itself under the normal process of the program because, as you know, projects shift and we feel that all of the projects within the GARVEE package can be completed within the five-year period of time necessary to do so to qualify for the GARVEES.

SENATOR TAYLOR expressed concern that he has watched the legislature rely upon the STIP year after year and fund projects, only to never see those projects built. The next time the STIP is presented to the legislature, those projects have been delayed three to five years. Now a whole list of projects can either be moved into or within the STIP to convenience this legislation. He said he has never once understood how the STIP worked or why things are moved but it appears to be caused by a lot of politics within the department and the administration. He again asked how the legislature will have any assurance that the list in this bill will not be changed.

DEPUTY COMMISSIONER PARKAN told Senator Taylor that DOTPF has looked at all of the projects identified and believes all projects can be completed within the time period required. All projects are STIP-eligible and have been identified by DOTPF as feasible. Including them in GARVEES provides more assurance that they will be completed in the time frame allocated than if they were funded through the normal STIP process. He indicated that projects get delayed for many reasons, but DOTPF believes it cannot switch the projects in CSHB 191(FIN)am out for other projects.

SENATOR TAYLOR asked if item 42 would be the third fast ferry.

DEPUTY COMMISSIONER PARKAN said depending on the ultimate outcome

of the capital budget, it could be the second or the third.

SENATOR TAYLOR asked what route the fast ferry in CSHB 191(FIN)am will cover.

DEPUTY COMMISSIONER PARKAN explained that DOTPF's original proposal contained funding for two fast ferries: one ferry was identified for a Ketchikan-Wrangell link; the other was a Petersburg-Juneau link. The House took one out and replaced it with other projects, most of them in Southeast. DOTPF's intent was to have the Ketchikan-Wrangell ferry online before the Petersburg-Juneau ferry. In the broader scheme, the first fast ferry will be the Sitka shuttle, which has already been authorized. The second fast ferry is designated for Prince William Sound and was included in the capital budget. The third fast ferry is designated for the Ketchikan-Wrangell link and the fourth is for the Petersburg-Juneau link. Since one vessel has been taken out of the GARVEE package and the Prince William Sound vessel is in limbo, DOTPF has not had much internal discussion about what the scenario will be.

SENATOR TAYLOR asked if the plan was to fund the first ferry with SHAKWAK funds, the second with funds in the capital budget, and the third and fourth with GARVEE bonds [CSHB 191(FIN)am] except that one was removed by the House.

DEPUTY COMMISSIONER PARKAN said that is correct.

SENATOR TAYLOR asked if there is any geographical balance to the list in CSHB 191(FIN)am. He pointed out that \$58 million was included for a road in Anchorage, yet the bill only includes a few hundred thousand for a road in Ketchikan.

DEPUTY COMMISSIONER PARKAN said he didn't have the breakdown at the moment but he estimated the bill contains about \$70 million for projects in Southeast, including the two ferries but one was removed and replaced with the same amount of funding for road projects; \$147 million for Anchorage projects; \$57 million each for projects in Fairbanks and the Mat-Su Valley; \$30 to \$40 million for projects in rural Alaska; and \$15 million for projects in the Kenai Peninsula. The balance was distributed statewide.

SENATOR TAYLOR noted if \$70 million was originally included for two high-speed ferries for Southeast, each cost \$35 million so essentially Southeast will get a ferry and, "except for Juneau, it looks like kind of chump change to me."

DEPUTY COMMISSIONER PARKAN said Southeast will get about \$30 million in road projects and about \$35 million for the ferry.

CHAIRMAN COWDERY asked why many projects were deleted from the original bill.

DEPUTY COMMISSIONER PARKAN offered to provide members with a side-by-side comparison of the original version and the House Finance Committee version. He pointed out that the House Finance Committee wanted a smaller package. He indicated that items 34 through 56 on page 4 are the projects that the House Finance Committee replaced the second fast ferry with.

CHAIRMAN COWDERY commented on an article in the Anchorage Daily News about how the cost of school upgrades have soared because busy contractors are bidding higher as a result of the heated up economy. He noted the [legislature] just passed an airport funding bill last night. He asked who will build these projects, whether DOTPF will try to attract out-of-state contractors, and whether Mr. Parkan believes passing this bill is the right thing to do.

DEPUTY COMMISSIONER PARKAN said DOTPF does believe passing this bill is the right thing to do. He noted that part of what is driving up the cost of "vertical" [building] construction is a shortage of electricians. DOTPF projects are considered to be "horizontal" [roads] so they do not use the same labor force. The spread of the original bill in the amount of \$425 million had construction costs at \$250 million. The new number will be considerably less than \$250 million and will be spread out over five years so the amount that will be added to any one year is fairly small. As a measure of workforce availability, DOTPF has reviewed the most recent bids it has received. Almost every project received between four and six bids, which indicates that competition for road construction projects is fairly healthy. Mr. Parkan noted that in his recent conversations with the Alaska General Contractors (AGC), he was told the AGC would not have any problem absorbing additional construction within its ranks. AGC is interested in DOTPF's ability to deal with the projects in terms of design engineers; DOTPF has been working on that and feels confident it can continue to spend the FHA funds it receives.

CHAIRMAN COWDERY said having been a contractor he knows that any potential savings during a heated up economy is out of sight. Also, the article mentioned that the projects will require road building and site preparation. He also expressed concern about this legislature binding future legislatures by requiring them to

appropriate money for these projects.

DEPUTY COMMISSIONER PARKAN agreed this legislature will be issuing debt and obligating future funds but DOTPF believes the benefits realized by the economy will outweigh the costs. Regarding the argument about obligating future legislatures, Mr. Parkan said that same argument can be made for any bond debt. In his view, there is no difference in paying the debt service on these projects with the federal dollars received from paying the debt service on the Fairbanks courthouse, for example.

Number 1320

CHAIRMAN COWDERY commented that the matter would be different if these projects were built with bonds approved with a public vote.

SENATOR WILKEN asked if certificates of participation (COPs) are used when a private party enters into a contract in which the state issues debt for a building and then leases the building to the private party who pays for it through the COPs.

DEPUTY COMMISSIONER PARKAN said that is his understanding.

SENATOR WILKEN asked, in the case of a road, whether the leasing company owns the road.

DEPUTY COMMISSIONER PARKAN said effectively, whoever holds the debt certificates could claim that asset.

SENATOR WILKEN stated the certificate of participation is a 15-year pay down but the state only has a guaranteed six-year T 21 revenue stream. He noted if that program isn't reauthorized, the full faith and credit of the people would kick in and the state would have what amounts to a general obligation bond. He questioned if the certificate of participation in that case would essentially be an end run around the Constitution because public votes are required on general obligation bonds. He felt that is a legal question that needs to be answered before going forward with this legislation.

DEPUTY COMMISSIONER PARKAN said the obligation is against the federal funds but the bill allows the legislature to use other revenues available to it, including the general fund. He asked that Devon Mitchell speak to the mechanics of the certificates of participation but he noted that DOTPF is comfortable that the T 21 will be reauthorized because it relies on the bond rating agencies to provide that level of comfort. About 10 states have issued GARVEEs knowing that the reauthorization is coming up.

The ratings have been very good. He noted that John Rabina could address the committee on that aspect of the market's comfort. Mr. Parkan said the T 21 put firewalls in place which require about 90 percent of the money invested to be given to the states. That has created a sense of ownership of that money among the states. He feels it will be very difficult for Congress to change a mechanism that is so beneficial to the states.

SENATOR WILKEN commented that CSHB 191(FIN)am presents two problems: a legal problem, which could be remedied by a letter of affirmation about the bill's legitimacy from the department; and second, whether the majority of legislators want to use a certificate of participation without a vote of the people. He then asked Mr. Parkan about the list of projects in CSHB 191(FIN)am and how items 3 and 4 (the Ted Stevens Way Reconstruction project in Kotzebue and the Wood River Road Reconstruction project in Dillingham) were added since they weren't in the Governor's original proposal.

DEPUTY COMMISSIONER PARKAN explained that the Ted Stevens Way Reconstruction project was in the GARVEE package last year and it was scheduled in the STIP for 2004. The House Finance Committee put this list together and showed it to DOTPF to make sure the projects would fit within the GARVEE framework. To his understanding, the House Finance Committee took the projects off of the out years of the STIP, particularly as they relate to Southeast. He added the Wood River Road Construction project was also in the STIP for 2004.

SENATOR WILKEN asked if all of the projects in CSHB 191(FIN)am are in the STIP.

DEPUTY COMMISSIONER PARKAN said that is correct.

SENATOR WILKEN noted that his community has expressed concern about the reduction of \$10 million to \$3.1 million for [Fairbanks North Star] borough-wide roads and trails. He also commented that since February 15 of 2000, he has discussed with DOTPF the issue of the nine percent match with the federal government. DOTPF has provided some letters of assurance that he believes are weak. He asked if DOTPF considers the letter of April 2, 2001 to be the authorization that allows the state to use its interest earnings as the nine percent match. If so, Alaska would be the first state in the nation allowed to do so. He expressed concern that the federal government has said, "maybe you can, and we're going to approve it when you apply," therefore maybe Alaska can't. He asked Mr. Parkan where this issue stands.

DEPUTY COMMISSIONER PARKAN replied, as it relates to arbitrage, the state is clearly subject to the IRS rules. As it relates to the use of the interest earnings to satisfy the state's match requirement, DOTPF staff has talked to FHA staff in Washington, D.C. and was told that what Alaska is proposing can be done. DOTPF must file a TEO 45 application, which is an innovative financing application. DOTPF believes it is a pro-forma exercise; that application should be submitted within a day or two and FHA expects to be able to give DOTPF a tentative read on the application within a day of receipt. He reiterated that DOTPF must take the first step of filing the application - the FHA will not provide a definitive answer until it reviews the application.

SENATOR WILKEN asked if the legislature chooses to proceed with the GARVEE bond bill, whether it would be acceptable to put a section in the bill making it contingent upon FHA approval.

DEPUTY COMMISSIONER PARKAN said it would.

Number 1766

SENATOR ELTON commented, in response to the discussion about this bill overheating the construction economy, that the Senate Transportation Committee met with many design people in Anchorage [February 23] who said they would be able to handle the work. Some concern was expressed that if the work isn't done now, the state would be facing problems when construction work begins on the gas line. He said he feels that the GARVEE bond program is too good to be true and that the state should act with dispatch before the rules change.

CHAIRMAN COWDERY stated that at the Anchorage meeting, some of the questions focused on whether Alaska has enough design engineers to design some of the 10 to 20 year projects. The committee was told it does.

SENATOR WARD asked who from the FHA gave DOTPF verbal approval to use interest earnings for the state match, and on what date.

DEPUTY COMMISSIONER PARKAN said DOTPF has received two letters from the FHA; one in February and one in April.

SENATOR WARD asked if those letters represent the verbal approval he spoke about.

DEPUTY COMMISSIONER PARKAN answered that when the question was raised at a previous meeting, DOTPF asked the FHA to provide

something in writing and it provided those two letters.

SENATOR WARD asked if any other opinions exist or whether the two letters are all the state has to go on.

DEPUTY COMMISSIONER PARKAN said the two letters are what DOTPF has to date.

SENATOR TAYLOR asked if anything prevents the use of GARVEE bonds for harbor improvements.

DEPUTY COMMISSIONER PARKAN said all of the projects that fit within GARVEEs must qualify for FHA funding and fit within the STIP so harbors are not included in the formula programs under the FHA funding program. He noted congressional funding has been earmarked and specifically exempted from the federal highway fund rules; one such project being the Point Mackenzie project.

SENATOR TAYLOR asked how far the STIP extends.

DEPUTY COMMISSIONER PARKAN answered the STIP is a six-year plan.

SENATOR TAYLOR asked if the maximum time that people would have to wait for any project in CSHB 191(FIN)am to be started is five years if the STIP didn't change in that time period.

DEPUTY COMMISSIONER PARKAN said that he believes the six year plan includes projects that are further out.

SENATOR TAYLOR asserted that it is basically a six-year waiting list that DOTPF tries to work its way up on.

DEPUTY COMMISSIONER PARKAN said the waiting list is actually much longer but DOTPF identifies six-years' worth of projects. Projects are also identified for the years 2006, 2007 and 2008.

SENATOR TAYLOR asked if some of those [the six-year plus] projects are also included in CSHB 191(FIN)am.

DEPUTY COMMISSIONER PARKAN said that is correct.

SENATOR TAYLOR commented that through this process this legislature will spend \$700 million to build these projects. The state will receive \$425 million for the projects, the projects on the STIP will move up faster, and DOTPF is assuring that projects will not disappear and reappear on the STIP.

DEPUTY COMMISSIONER PARKAN stated that some of the projects on

the early years of the STIP will be done through GARVEEs, allowing other projects to move up faster on the STIP.

SENATOR TAYLOR asked why the state should mortgage itself for \$700 million and pay a "\$300 million penalty" to speed up projects that would be built in two years if the state is going to get the cash anyway on an annual basis from the federal government. Doing so will prevent future legislatures from appropriating money for future projects.

Number 2234

DEPUTY COMMISSIONER PARKAN pointed out that DOTPF had a cost-benefit analysis conducted that shows the benefit to accelerating the timeframe of the STIP projects through the use of GARVEE bonds. He noted that doing the projects sooner will prevent inflationary costs. Savings to the general fund by using the interest earnings is also of value. In addition, this approach provides a sense of certainty that the projects in the near years in the STIP will be done. Any projects authorized by the bonds will have to be completed within five years. Communities are hopeful that some of the projects that have been delayed will actually get done; one example being the Illinois Street project in Anchorage.

SENATOR TAYLOR alleged that the legislature appropriates funds for projects through the capital budget, which this year equals about \$1.2 billion, yet many of the projects do not get built. He referred to item 43 on page 4, line 10, (Ketchikan: South Tongass Highway Widening and Path Extension, Phase 1) and noted that he and Representative Williams appropriated money to repair that highway and build a bike path during the Hickel Administration. Two years later, the Knowles Administration came along and built the bike path but the road has never been improved. Every year that project shows up on the STIP.

DEPUTY COMMISSIONER PARKAN responded that the projects that Senator Taylor has had concerns about over the years will be completed if this bill passes. He pointed out that in the cost-benefit analysis, the author concluded that the 15 year payback period using GARVEE bonds provides a lower state cost than the "pay-as-you-go" STIP approach.

SENATOR TAYLOR asked how many times a state can do a GARVEE project.

DEPUTY COMMISSIONER PARKAN said a state can use the GARVEE program as many times as it wishes. Some of the ten states that have used GARVEE bonds have issued them in a series so that all of the bonds are not issued at once. Some states have passed

legislation in unanimous support of this approach.

SENATOR TAYLOR said he was asking when the state will run out of money. He asked:

How many times can you mortgage the future and then the next one do it, pretty soon don't you run out of future that you can bond and indebt so that everybody can take credit for - I went to the legislature and I brought you home another \$425 million [in] projects but, in doing so, I just spent the money that was going to be available for the next three-four years? At what point do you run out?

DEPUTY COMMISSIONER PARKAN said that DOTPF expects the federal allocation to the state to increase at a rate of 4 to 5 percent a year. If CSHB 191(FIN)am passes, DOTPF will issue debt and mortgage the future but the state will receive more money and there is value associated with improved safety. He noted that some states have issued a much higher percentage of debt than Alaska is.

TAPE 01-17, SIDE B

DEPUTY COMMISSIONER PARKAN said that DOTPF expects its coverage to be eight times, while some states have three times, so Alaska is issuing debt for a very conservative amount compared to some other states.

SENATOR TAYLOR asked Mr. Parkan to explain the percentage.

DEPUTY COMMISSIONER PARKAN explained that Alaska's debt service payment would be a little less than 10 percent, equal to about \$36 million per year.

SENATOR TAYLOR remarked that if DOTPF did this at the same rate every year, the ability of future legislatures to expend money on behalf of capital projects would be limited by that amount of money. He stated that eventually the state would be unable to build any projects for 15 years while it waits for the federal funds to come in to pay off the projects already built.

DEPUTY COMMISSIONER PARKAN said he doesn't think anyone is suggesting that the state issue GARVEE bonds every year but it is clearly the legislature's prerogative to do so.

SENATOR WARD noted that Senator Wilken asked for a legal opinion on using interest income to pay for the state match. He asked that DOTPF also provide the names of the ten states that issue GARVEE bonds and how their state constitutions address binding

future legislatures.

DEPUTY COMMISSIONER PARKAN said he would be happy to provide that information and pointed out that quite a bit of analysis has been done on those states.

SENATOR WARD asserted that Alaska differs from other states in that many others allow for dedicated funds and have different abilities to encumber future funds. He indicated that is the type of information the committee needs before committing to this legislation.

CHAIRMAN COWDERY asked for an estimate of the administrative costs associated with this bill. He noted he would hold the bill in committee to await answers to committee members' questions.

SENATOR WARD noted he would not move to adopt his proposed amendment today. He asked Mr. Parkan to provide an analysis of that amendment.

DEPUTY COMMISSIONER PARKAN asked if Chairman Cowdery wanted an estimate of the administrative costs similar to what is associated with DOTPF's normal projects.

CHAIRMAN COWDERY explained he is interested in the pass-through fees and how much DOTPF will take to administer the projects.

DEPUTY COMMISSIONER PARKAN said the amount remains the same for any project.

SENATOR TAYLOR asked why the administration is not taking the projects to the voters as has been done historically.

DEPUTY COMMISSIONER PARKAN said voter approval occurs before general obligation debt is issued, but the state has issued millions of dollars of debt without a vote of the people as well, such as for school debt reimbursement.

SENATOR TAYLOR maintained that school debt reimbursement requires a vote of the tax payers of that community, except in villages that don't pay anything for schools. The legislature allows communities to incur debt but only after a vote of the people. He questioned why the state should be in such a big hurry to do these projects, many of which will be built within the next few years anyway.

DEPUTY COMMISSIONER PARKAN explained that certificates of participation are issued by the state all of the time - they are not an end run. DOTPF did, last year, propose to do a general obligation debt. He noted he shared with the committee a letter from the attorney general's office about the difference between

the two proposals. He offered to provide members with another copy. DOTPF looked at several things and, in short, the bond market is much more comfortable now than it was before with GARVEEs. DOTPF believes it will have a fairly good bond rating with the certificates of participation. Clearly general obligation bonds provide the best ratings possible because of full faith and credit but interest rates are very low right now. In addition, DOTPF wanted to get the projects done soon. Had the GARVEEs been approved last year, they could have been put on the ballot in the general election. He felt Senator Elton's point about the need to get these projects done in advance of the construction of a gas line is a good one.

SENATOR WARD asked what the time frame will be to get a legal opinion and the analysis of the ten other states.

DEPUTY COMMISSIONER PARKAN said he would try to provide the committee with that information the next day.

CHAIRMAN COWDERY asked for public testimony.

MR. MIKE SCOTT, representing the Municipality of Anchorage (MOA) - both the Mayor and the Assembly, and the Alaska Municipal League (AML), stated wholehearted support for the GARVEE approach presented in CSHB 191(FIN)am. Anchorage has some critical road needs that the Mayor and Assembly want accelerated. The MOA believes this bill will assure that these road projects are built in a timely fashion. Mr. Scott said the MOA shares some of committee members' frustration and MOA has acknowledged that it intends to do a better job of getting these projects done. He said he has heard that contractors need more business and are ready to go.

MR. SCOTT pointed out that DOTPF could do transfers of responsibilities with some communities on selected projects. He acknowledged that the question of whether these projects should be voted on by the public is a valid one. The legislature will have the MOA's support in going to the voters, which could be done with municipal elections in October in the case one is deemed necessary in the legal opinion. Mr. Scott said the difference between GARVEE bonds and general obligation bonds is that everyone's property is put up as collateral for general obligation bonds whereas a facility is put up as collateral for a certificate of participation project. Regarding harbors and ports, Mr. Scott said they can be financed through FHA funds if authorized by Congress. HB 234 contains about \$35 million for ports and harbors; that bill is now in the Senate Finance Committee. Port and harbor improvements could be conditioned upon congressional approval.

MR. SCOTT said that he commutes from the Mat-Su Valley to

Anchorage daily. During the evening, traffic can be backed up at a traffic light on the Parks Highway for one-half mile. The MOA believes that although CSHB 191(FIN)am is not a perfect solution, it is better than any other proposals to date. The MOA is prepared to work and partner with DOTPF if necessary.

CHAIRMAN COWDERY asked if the Abbott Loop extension to Tudor is included in this bill.

MR. SCOTT said he believes the Chairman holds great sway over the future of that project and the MOA defers to his judgment.

CHAIRMAN COWDERY repeated that he would hold the bill in committee.

MR. JOHN RABINA, Senior Vice President of the George K. Baum Company, an investment bank, informed the committee that regarding the viability of the structure the state is considering, about ten states have very viable programs. Regarding security, the FHA has been involved in these kinds of appropriation programs since 1915 so it has a long history with them. Regarding general obligation bonds, he believes they are also a viable vehicle but he believes the state has not issued one since 1982. He has personally been involved in about \$1.6 billion in financing for the state over the last ten years. Either method would work but he believes the GARVEE concept is a good one. He believes comparing the other ten states to Alaska is a good idea. He offered to answer questions.

Number 1642

CHAIRMAN COWDERY noted the Alaska Constitution is a model for other countries so he is not certain that the other states' powers of appropriation will be similar to Alaska's.

MR. RABINA said Alaska is not the same but he could not elaborate at this time.

SENATOR WARD asked if GARVEE and general obligation bonds are issued at the same time, whether they would be repaid in the same way.

MR. RABINA said they would; general obligation bonds typically have a higher rating because most of them are based on an annual tax. A revenue bond has a slightly higher interest rate because it is usually based upon some kind of enterprise so they rely on water or electric rates or toll road fares. With regard to the State of Alaska and GARVEE bonds, the security would be the annual appropriation from the FHA.

CHAIRMAN COWDERY said the question for most legislators is that

they don't plan to be in the legislature 15 years from now. He then adjourned the meeting at 4:48 p.m.
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