

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 357(TRA)
 (H) Publish Date: 3/24/10

Identifier (file name): HB357-CED-ARR-3-23-10 Dept. Affected: DCCED
 Title Alaska Railroad Corporation Land Sales RDU _____
 Component Alaska Railroad Corporation
 Sponsor Representative Stoltze
 Requester House Transportation Committee Component Number _____

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	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								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

The fiscal impact of this legislation to the Alaska Railroad Corporation is indeterminate.

HB 357 would authorize the Alaska Railroad to sell land that is not needed for railroad purposes, subject to legislative approval, if the ARRC Board finds that the sale of the land is in the best interest of the state. Current law already allows the railroad to propose the sale of rail land subject to legislative approval. The incremental cost to sell rail land including appraisals, staff time, and other professional fees would likely be passed on to the buyer.
 (Continued)

Prepared by: Wendy Lindskoog Phone 265-2498
 Division Alaska Railroad Corporation Date/Time 3/23/10 12:00 AM
 Approved by: Emil Notti, Commissioner Date 3/23/2010
Commerce, Community and Economic Development

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BILL NO. CSHB 357(TRA)

ANALYSIS CONTINUATION

Current lease revenue streams average an 8% annual return on the fair market value of ARRC land. If ARRC were to sell this land, it would be hard-pressed to find a comparable investment that would provide such a return with a similar risk profile. As an extreme hypothetical, if ARRC were to sell its holdings in the Ship Creek area of Anchorage, roughly \$6 million of annual lease revenues would be immediately removed from the corporation's budgets. If the corresponding funds received for the sales were used to purchase investments with a similar risk profile, at today's investment returns, ARRC could stand to lose over \$4 million annually when compared to the foregone lease revenues. This could have a material impact on the corporation as it tries to maintain infrastructure, fully fund benefit plans, and provide the required match for federal grant funds, among other items.

ARRC believes the real fiscal impact of selling the non-operating land we currently lease to third parties would result in the loss of a consistent, predictable annual revenue stream to ARRC.

Another potential fiscal impact relates to ARRC's ability to use financial leverage to accomplish its capital plans. Currently, ARRC has approximately \$11 million in outstanding loans secured by lease revenues from corporation lands. Material changes to the lease streams could concern existing lenders, violate covenants, and/or most certainly impact ARRC's future ability to use debt .

Because the potential volume of lands to be sold and the timing thereof is unknown at this point, the fiscal note is indeterminate.