

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 287(RES)
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Identifier (file name): SB287-CED-ARR-3-19-10 Dept. Affected: DCCED
 Title In-State Gas Pipeline RDU _____
 Component Alaska Railroad
 Sponsor Senator McGuire
 Requester Senate Resources 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	34,222.0	20,628.0	2,709.0	1,794.0	1,884.0	1,978.0		
CHANGE IN REVENUES ()								

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	34,222.0	20,628.0	2,709.0	1,794.0	1,884.0	1,978.0		
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	34,222.0	20,628.0	2,709.0	1,794.0	1,884.0	1,978.0		

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

SB 287 amends the Alaska Railroad Corporation's (ARRC or the corporation) enabling statute to require ARRC to initiate planning and development of construction of an in-state natural gas pipeline. The project is well outside ARRC's norms, both in type and size. Similar to the approach currently underway, this fiscal note addresses funding necessary for ARRC to bring the project through permitting and preliminary engineering phases. Construction costs are not included at this juncture. Also excluded from this analysis are estimated costs to be incurred by a pipeline company or other entity that would presumably complete design and build the project.

(Continued)

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 Date 3/19/2010

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BILL NO. CSSB 287(RES)

ANALYSIS CONTINUATION

This fiscal note assumes the corporation will establish a project office, staffed mainly by newly hired ARRC employees. The office will function autonomously from other railroad operations and be funded by the State of Alaska, presumably out of the General Fund. Contractors will be used for all major project functions including engineering, permitting, right of way acquisition, cost estimation, and marketing activities.

ARRC's preliminary evaluation is that substantial progress has been made to date along the critical path to project completion. First, an Environmental Impact Statement (EIS) is well underway. The EIS is almost certainly the most important effort to meet an aggressive project schedule. Second, a well-founded cost estimate for construction is due in June, 2010. This is critical to determining the project financial feasibility and for development of both supplier and customer contracts.

The fiscal analysis summary below is predicated upon ARRC hiring seven new employees to support this effort. By statute, ARRC employees are not state employees; the corporation has a distinct employment system separate from the State of Alaska. The initial basis for the cost estimates shown below are derived from analysis performed by the Office of the Governor, Alaska In-State Gas Pipeline Project office.

	(Thousands)							
ARRC Funding Needs	2011	2012	2013	2014	2015	2016	2017	Totals
Internal Costs	1,550	1,628	1,709	1,794	1,884	1,978	2,077	12,620
RSA's DNR & JPO	1,172							1,172
Pipeline Engineering	8,500	1,000						9,500
Permitting/ ROW	20,000	10,000						30,000
Facilities		5,000						5,000
Commercial Analysis	3,000	3,000	1,000					7,000
Totals - ARRC	34,222	20,628	2,709	1,794	1,884	1,978	2,077	65,292