

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SCS 2d CSHB 23(FIN)
Fiscal Note Number: 6
(S) Publish Date: 4/4/14

Identifier: HB023SCSCS(FIN)-DOR-KABATA-03-25-14
Title: KNIK ARM CROSSING; AHFC
Sponsor: NEUMAN, HUGHES
Requester: Senate Finance

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury Division
OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2015 | Included in | Out-Year Cost Estimates | | | | |
|-------------------------------|-------------------------|---------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| | Appropriation Requested | Governor's FY2015 Request | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
| OPERATING EXPENDITURES | FY 2015 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
| Personal Services | | | | | | | |
| Travel | | 10.0 | 10.0 | | | | |
| Services | | | | 3,500.0 | | | |
| Commodities | | | | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | | | | | | | |
| Miscellaneous | | | | 7,500.0 | 25,000.0 | 25,000.0 | 25,000.0 |
| Total Operating | 0.0 | 10.0 | 10.0 | 11,000.0 | 25,000.0 | 25,000.0 | 25,000.0 |

Fund Source (Operating Only)

| | | | | | | | |
|----------------|------------|-------------|-------------|-----------------|-----------------|-----------------|-----------------|
| 1004 Gen Fund | | 10.0 | 10.0 | 7,500.0 | 25,000.0 | 25,000.0 | 25,000.0 |
| 1007 I/A Rcpts | | | | 3,500.0 | | | |
| Total | 0.0 | 10.0 | 10.0 | 11,000.0 | 25,000.0 | 25,000.0 | 25,000.0 |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

Change in Revenues

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| | | | | | | | |
|--|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **No**
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Updated for the SCS in S FIN.

| | | | |
|--------------|-----------------------------|--------|---------------------|
| Prepared By: | Pam Leary, Director | Phone: | (907)465-3751 |
| Division: | Treasury | Date: | 03/24/2014 03:00 PM |
| Approved By: | Angela Rodell, Commissioner | Date: | 03/25/14 |
| Agency: | Department of Revenue | | |

FISCAL NOTE ANALYSIS #6

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. SCS 2d CSHB 23(FIN)

Analysis

The bill provides the Knik Arm Bridge and Toll Authority (KABATA), the authority to enter into agreements or contracts with the State, for purposes of securing bonds of the state and for the State Bond Committee to issue up to \$300 million in toll bridge revenue bonds based on the contract or agreement. The toll revenue bonds of the State would be backstopped by a moral obligation and subject to appropriation commitment of the State of Alaska.

Based on KABATA's total project plan of finance, the State will provide additional federal aid of approximately \$281 million and enter into a TIFIA loan for approximately \$341.3 million. KABATA may enter into contracts with the State to provide for the issuance of up to \$300 million of toll revenue bonds. The priority of payments from toll receipts of KABATA would be first to operations and maintenance, second to repay the TIFIA loan, and third to the contracts with the State.

Based on the structure it is anticipated that the State will have to pay all debt service on the authorized toll revenue bonds until the bridge is opened, and up to all of the debt service for some period after bridge completion. Due to the subordinated position of the toll revenue bonds and the uncertainty of predicting future traffic, the fiscal note contemplates that all debt would be paid by the State's general fund.

The fiscal note contemplates one series of bonds of up to \$300 million being issued in August 2016. The debt service is estimated at approximately \$7.5 million for the first interest payment in FY 2017 followed by annual debt service of \$25 million per year, based on a twenty year level amortization structure and an interest rate assumption of 5% which is approximately 1.5% above current rates. Using current interest rates diminishes total annual debt service to approximately \$21 million per year. The costs of issuing the bonds would be funded from bond proceeds.

It is assumed that the two funds contemplated in the bill, the Toll Bridge Revenue Fund and the Toll Bridge Revenue Bond Redemption Fund would be held in the Gefonsi or at an external bank and therefore no additional costs would be incurred.

Expenditures: FY15 travel expenditures are for travel for Treasury staff between Juneau and Anchorage to coordinate the contract for the transfer of excess revenue (over operations & maintenance and TIFIA). FY16 travel expenditures to negotiate credit rating with analysts prior to selling first series of bonds