

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

April 7, 2015

1:06 p.m.

MEMBERS PRESENT

Senator Peter Micciche, Chair
Senator Click Bishop, Vice Chair
Senator Mike Dunleavy
Senator Dennis Egan

MEMBERS ABSENT

Senator Bert Stedman

COMMITTEE CALENDAR

HOUSE BILL NO. 140

"An Act authorizing the Alaska Railroad Corporation to issue revenue bonds to finance a positive train control rail transportation safety project that qualifies for federal financial participation; and providing for an effective date."

- MOVED HB 140 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 140

SHORT TITLE: LEG. APPROVAL: AK RAILROAD REVENUE BONDS

SPONSOR(S): REPRESENTATIVE(S) THOMPSON

03/09/15	(H)	READ THE FIRST TIME - REFERRALS
03/09/15	(H)	FIN
03/17/15	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/17/15	(H)	Heard & Held
03/17/15	(H)	MINUTE(FIN)
03/23/15	(H)	FIN RPT 3DP 6NR
03/23/15	(H)	DP: GARA, MUNOZ, THOMPSON
03/23/15	(H)	NR: SADDLER, PRUITT, GUTTENBERG, GATTIS, EDGMON, NEUMAN
03/23/15	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/23/15	(H)	Moved HB 140 Out of Committee
03/23/15	(H)	MINUTE(FIN)
03/31/15	(H)	TRANSMITTED TO (S)
03/31/15	(H)	VERSION: HB 140
04/01/15	(S)	READ THE FIRST TIME - REFERRALS

04/01/15 (S) TRA, FIN
04/07/15 (S) TRA AT 1:00 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE STEVE THOMPSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 140.

BILL O'LEARY, President and CEO
Alaska Railroad Corporation (ARRC)

POSITION STATEMENT: Supported HB 140.

ACTION NARRATIVE

1:06:54 PM

CHAIR PETER MICCICHE called the Senate Transportation Standing Committee meeting to order at 1:06 p.m. Present at the call to order were Senators Egan, Bishop, Dunleavy and Chair Micciche.

HB 140-LEG. APPROVAL: AK RAILROAD REVENUE BONDS

1:07:16 PM

CHAIR MICCICHE announced the consideration of HB 140.

REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, Juneau, Alaska, sponsor of HB 140, said this bill deals with funding positive train control (PTC), the technology that is designed to stop a train before human error causes an accident. He explained that in 2008 the Federal Rail Safety Improvement Act required that certain railroads install fully functional PTC by 2015 that was later extended to 2018.

The Alaska Railroad, because of its passenger service, is required to install PTC. Providing passenger service brings the Railroad \$25 million a year with an additional \$29 million from the Federal Transit Administration. That is \$54 million between the two that the railroad would lose in revenues if they don't install PTC.

HB 140 authorizes the Alaska Railroad Corporation (ARRC) to issue up to \$37 million in tax exempt bonds backed by the Federal Transit Administration (FTA). Bond proceeds will be used to finance PTC, which has an estimated cost of \$158 million.

He said the railroad also has proposed to refinance \$66 million in existing bonds and extend the repayment date in order to issue these additional \$37 million in bonds to pay for major portions of the remaining \$55 million needed to finish installing PTC.

AS 42.40.285 requires the ARRC to ask the legislature for permission to issue bonds. In no event will the general credit of the State of Alaska or the ARRC be pledged for the repayment of these bonds. AS 42.40.500 requires that all liability incurred by the railroad shall be satisfied exclusively from the assets or revenue of the railroad and not the state.

REPRESENTATIVE THOMPSON said debt payment for the bonds will come from a portion of the Federal Transit Administration formula funds, which are statutorily mandated by federal law and received annually by the railroad. Issuing debt backed by FTA formula funds is authorized through FTA regulations and has already been used by the railroad to issue bonds.

He said estimates for this project indicate that it will cost a total of \$158 million to implement. Since 1997 the railroad has invested \$68.9 million to develop a PTC system. In 2013/14 the railroad received an additional \$19.1 million and \$15 million respectively from the State of Alaska for continued work on it. Between 2016 and 2018, an additional \$55 million will be required to complete the development and installation of PTC by the 2018 deadline. This bond issuance will leave an additional \$18 million to complete the funding package.

[1:12:19 PM](#)

The railroad understands that over the next three years the state will probably not have any funds available. He explained that this figure does not include the estimated \$5-7 million per year of operating and maintenance costs related to the system once it's installed.

[1:12:59 PM](#)

He noted that if the railroad doesn't show it is making a good faith effort to implement PTC, the FTA can implement fines of up to \$100,000 per day.

SENATOR DUNLEAVY asked if HB 140 had a fiscal note.

REPRESENTATIVE THOMPSON answered that it has a zero fiscal note and explained that the bonds are totally backed by FTA funds.

SENATOR DUNLEAVY asked if this is passed, the railroad won't be coming to the legislature for money for PTC.

REPRESENTATIVE THOMPSON responded that the railroad has acknowledged that they won't get any money from the state for the next three years.

CHAIR MICCICHE opened public testimony and finding none, closed it. He asked Mr. O'Leary to explain the legislation.

[1:15:06 PM](#)

BILL O'LEARY, President and CEO, Alaska Railroad Corporation (ARRC), said it is important to keep this project moving and the only way forward that they see is issuing debt. Federal regulators are requiring it.

SENATOR BISHOP moved to report HB 140, version 29-LS0699\A, from committee with individual recommendations and attached zero fiscal note. There were no objections and it was so ordered.

[1:16:52 PM](#)

Finding no further business to come before the committee, Chair Micciche adjourned the Senate Transportation Standing Committee meeting at 1:16 p.m.