

AK. RAILROAD

Fiscal

NOTE

SB 357

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 352
Title: Alaska Railroad Corporation Act of 1984
Sponsor: Kerttula, Faiks, & Halford
Requestor: Senator Moss
Date of Request: 3/8/84

FISCAL DETAIL

Agency Affected: _____
Program Category Affected: _____
BRU, Program or Subprogram(s) Affected: Alaska Railroad

EXPENDITURE / REVENUES: (Thousands of Dollars)

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 88 | FY 89 |
|-----------------------|-------|--------|--------|--------|--------|--------|
| OPERATING | -0- | 37,300 | 57,750 | 58,000 | 57,300 | 57,900 |
| 100 PERSONAL SERVICES | | 24,300 | | | | |
| 200 TRAVEL | | 300 | | | | |
| 300 CONTRACTUAL | | 4,800 | | | | |
| 400 SUPPLIES | | 5,200 | | | | |
| 500 EQUIPMENT | | 1,200 | | | | |
| 600 LAND & STRUCTURES | | -0- | | | | |
| 700 GRANTS, CLAIMS | | 1,500 | | | | |
| 800 MISCELLANEOUS | | -0- | | | | |
| TOTAL OPERATING | -0- | 37,300 | 57,750 | 58,000 | 57,300 | 57,900 |
| CAPITAL | -0- | 15,800 | 20,450 | 20,450 | 20,450 | 20,450 |
| REVENUE | -0- | 37,350 | 67,200 | 70,200 | 73,300 | 76,350 |

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|-----|--------|--------|--------|--------|--------|
| GENERAL FUND | -0- | 15,750 | 11,000 | 8,250 | 4,450 | 2,000 |
| FEDERAL FUNDS | -0- | -0- | -0- | -0- | -0- | -0- |
| OTHER | -0- | 37,350 | 67,200 | 70,200 | 73,300 | 76,350 |
| TOTAL | -0- | 53,100 | 78,200 | 78,450 | 77,750 | 78,350 |

POSITIONS:

| | | | | | | |
|-----------|-----|--------|--------|--|--|--|
| FULL-TIME | -0- | 478 | 478 | | | |
| PART-TIME | -0- | 38 | 38 | | | |
| TEMPORARY | -0- | 64/300 | 64/300 | | | |

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Fund (Although the legislation does not speak to this point, every indication suggests use of a general fund appropriation to offset fiscal impact.)

ANALYSIS: Attach a separate page for analysis

Prepared By: Mark S. Hickey, State Railroad Coord. Phone: 465-3900
Division: Alaska Railroad Transfer Team Date: 3/15/84

Approved by Commissioner: R. J. Knapp Date: 3/15/84
Agency: Department of Transportation & Public Facilities

Distribution (by Agency preparing fiscal note):

Legislative Finance
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Requestor
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Impacted Agency(ies)

12/1/83

STATE OF ALASKA 1984 LEGISLATIVE SESSION

FISCAL NOTE

Bill/Resolution No.: SB 352

Title: Alaska Railroad Corporation Act of 1984

BILL ANALYSIS

Overview:

This fiscal note is based upon the results of the Alaska Railroad Team's Alaska Railroad Acquisition Assessment, released in December 1983. That document provides a comprehensive analysis of the major issues concerning acquisition of the Alaska Railroad (ARR). It includes a thorough assessment of the financial exposure to the State from ensuring continued rail operations in accordance with the requirements of the Alaska Railroad Transfer Act of 1982 (ARTA).

The estimates presented in this fiscal note are derived from the "worst case" scenario of future railroad activity. Current indicators such as the continued uncertainty over the export coal contracts suggest use of this analysis as the most realistic forecast for determining actual fiscal impact. Please note that the acquisition cost of \$22.3 million for railroad purchase has been addressed in a separate fiscal note attached to the acquisition legislation.

While the data and forecasts used in both the Acquisition Assessment and this fiscal note reflect the input and work of the railroad and the United States Railway Association (USRA), the final estimates are based on independent analysis and downward adjustment by the Transfer Team. Our work includes such factors as removal of uncertain revenue increases, increased costs for compliance with state and local building codes, and additional adjustments for necessary capital rehabilitation.

This bill analysis is limited to providing explanations of the fiscal impact resulting from the proposed legislation. It should be noted that there exist policy conflicts between provisions of this legislation and the Sheffield Administration's Policy Statement of January 26, 1984.

Assumptions:

The FY 85 figures are based upon an assumption that actual railroad transfer will occur somewhere between November and January of that fiscal year. As a result, most of the estimates are merely prorated for a partial fiscal year ending in July 1985. However, there are certain one-time, start-up expenditures directly attributable to the actual railroad transfer which cause the sizeable shortfall during what is only a partial fiscal year.

Although a breakout of specific operating expenditures has been provided for FY 85 in order to provide the railroad operating entity a functioning program during its first year of operations, an actual budget structure has not been included to avoid prejudicing the new operating entity's prerogatives to formulate its own budget structure and subsequent submissions. Please note that the FY 85 submittal also contains the request for all funds needed by the Transfer Team and other state agencies to perform the duties resulting from passage of this legislation and acquisition of the railroad.

Although the current legislation places the Alaska Railroad within the Department of Commerce and Economic Development for purposes of the constitution, other sections of this bill anticipate removing it if a proposed constitutional amendment passes next November. Accordingly, this note does not address a specific "agency affected" to avoid a future conflict in this area.

Since the constitutional amendment cannot become effective until November if it passes, this note is predicated on an assumption that all funds for the corporation will be passed through by the respective line agency under which the corporation is located. Funds for all other state agencies will be passed on to the Transfer Team for further processing as appropriate.

Administrative costs incurred by the line agency under which the corporation is located should be minimal and will be covered as part of the corporation's overhead. Please note that all fiscal impact to state agencies resulting from this legislation have been coordinated by the Transfer Team and are reflected in this note.

All estimates are presented in constant 1985 dollars. An annual inflation factor of 6% has been used to convert the original 1983 constant dollar estimates in the Acquisition Assessment.

Operating Expenditures:

This estimate includes both general operating expenses and new expenditures resulting from the railroad transfer (i.e., additional costs due to potential loss of railroad gravel reserves under third-party claims). Included in the former category are costs for maintenance-of-way, maintenance of power and equipment, transportation services, communications, administration and overhead, marketing and real estate management. The latter category includes increased legal and overhead expenses, additional insurance and risk management contributions, fiscal impact to the Transfer Team and other state agencies because of railroad acquisition, and one-time, start-up costs for items such as the printing of new letterhead and the marking of personal property.

Although revenue is projected to increase during FY 87-89, costs during that period are not significantly larger than the first two years of operations due to the sizeable, one-time transfer related expenses immediately following transfer. These estimates are based on historical data provided by current railroad personnel and reflect anticipated operating expenditures needed to comply with the terms of ARTA.

Attachment A provides more details on the FY 85 submittal by object of expenditure. Some \$4 million of this estimate is to cover immediate expenditures resulting from actual transfer of the railroad. This includes the following:

- (1) \$1.750 million for the Alaska Railroad Transfer Team to perform its duties as outlined in Attachment B;
- (2) \$2 million for specific one-time, start-up costs to be incurred by the new entity for items such as the marking and inventorying of personal property, the printing of new stationery and payment warrants, additional legal costs, and certain corporation expenditures for the new Board of Directors;
- (3) \$200,000 in funds to conduct a final pre-transfer audit to establish the accuracy of balance sheets and the identification of accounting problem areas; and
- (4) \$80,000 in additional fiscal impact to the Department of Administration to ensure preservation of railroad archival records and additional labor relations work not budgeted for in the Transfer Team's FY 85 budget memo.

Another component of the FY 85 submittal includes \$270,000 in funds in direct response to the following requirements of the legislation:

- (1) \$200,000 to initiate the Special Report required in Section 9 on the feasibility of attracting private sector involvement in the railroad's operations;
- (2) \$35,000 to the Department of Natural Resources to respond to any state land request by the corporation under Section 42.40.360; and
- (3) \$35,000 to fund costs for the new railroad employees labor relations agency as provided in Section 42.40.780.

The remaining estimates in this area reflect the normal operating expenses by category for the part of FY 85 involving state operation of the railroad. These specific estimates have been prepared with the close cooperation of railroad administration and budgeting personnel. All expenditures for per diem and compensation of the Board of Directors have been included in the general estimates for the 100 and 200 categories.

Capital Expenditures:

The capital component of this fiscal note represents a combination of increased capital costs resulting from transfer and prorated expenditures for ongoing railroad operations. The analysis contained in Chapters 4 and 5 of the Acquisition Assessment serve as the basis for both of these estimates.

In addition, the results from the State's independent engineering condition assessment have been used to project an increased level of expenditure minimally acceptable to begin reversing deterioration of the railroad's physical plant, including the initiation of a systematic plan for replacing aged rolling stock. It is important to understand that engineering condition alone cannot be the basis for a projected level of sustained capital expenditure, but must be tempered by national trade-offs between long-term plant condition and available revenues.

The capital estimate of \$15.8 million includes a one-time expenditure of \$4.9 million to replace the railroad's working capital fund. ARTA establishes a process where little, if any, money will be transferred from the ARP's Revolving Fund because of pre-transfer federal claims and contingent liabilities that must be paid by the fund. As a result, an amount equal to about one month's worth of operating expenses (which is similar

to working capital requirements for other railroads) is needed to fund and maintain adequate working capital for the railroad after transfer.

Another capital expenditure resulting from railroad transfer is the initiation of compliance with Occupational Safety and Health Act (OSHA) requirements and state and local building codes. Approximately \$4.5 million per year has been set aside during the forecasted period to move toward compliance in these areas. Chapter 5.3 of the Acquisition Assessment provides more details regarding this requirement.

The remaining \$6.4 million of this estimate covers general railroad capital needs, prorated for the period of state ownership during FY 85. An additional \$7.85 million is projected for expenditure by the railroad for this program. Attachment C provides additional information regarding the capital improvement program to be performed during FY 85.

It should also be noted that based on a recent audit review of the ARR's financial statements, about \$4 million per year of capital expenditures could just as easily be categorized as operating costs (primarily maintenance-of-way expenditures) if generally accepted accounting principles are applied to the railroad. However, no adjustments have been made with our estimates to avoid creating greater confusion by conflicting with existing railroad procedures prior to a general system overhaul by the corporation upon transfer.

Revenue:

This estimate on a prorated basis represents projected FY 85 revenues from its freight, passenger and real property rental activities. The FY 85 revenue figure is based on a projected commodity mix fairly similar to the last two years of railroad operations. Attachment D contains some additional information from the ARR's 1983 Draft Annual Report regarding FY 82 and FY 83 operations.

These projections are based on information from the railroad and USRA, which were then adjusted downward by the Transfer Team to remove 50% of the net cash from anticipated revenue increases in export coal, interline and pipe traffic. If either of these movements were in fact to materialize in a significant way, it could sizeably reduce the need for general fund assistance during FY 87-89. Likewise, any major downswing from our projections would probably result in the need for even larger general fund assistance during those years.

Funding Source:

The "Other Funds" appearing on the fiscal note are railroad revenues.

Positions:

ARTA basically mandates a two-year period of full protection of current salaries and benefits for all employees who choose to transfer. What happens following that period becomes a matter for contractual negotiation between management and employees.

The figures presented in this part of the fiscal note are the actual number of employees in each category as of March 1, 1984. No estimate can be made of the actual number of those choosing to transfer, although it is anticipated that most employees will do so. In the case of temporary employees, the first number on this line is the actual number today, while the second estimate reflects the average number of temporary hires used in the summer for major maintenance work.

Summary:

The estimates provided in the attached fiscal note are primarily based on the Transfer Team's assessment of the likely fiscal impacts from state acquisition of the Alaska Railroad. It is important to reiterate that the acquisition cost of \$22.3 million has been addressed in a separate fiscal note attached to the acquisition legislation.

It is our view that the corporation's overall organization as currently envisioned in the proposed legislation will not have any appreciable impact immediately on the railroad's general financial condition. Beyond the increased cost for modifying the existing administrative and management systems during the first two or three years following state takeover, it is difficult to predict whether the proposed organizational arrangements in this legislation will generate cost efficiencies not enjoyed during federal ownership.

The philosophy in the current legislation is, to the extent possible, to foster a self-sustaining business orientation for railroad operations. This is consistent with the Transfer Team's analysis of the types of steps necessary to achieve a break-even position at some point during the first decade of state operations.

There is no specific mandate in this legislation for new extensions or any more services than those currently in existence. This should allow the railroad adequate time to reorganize and streamline its existing operations. In addition, although several specified planning responsibilities have been added to the railroad's duties, the long-term savings from performing these kinds of systematic assessments should more than compensate for any short-term costs resulting from performance of these efforts.

Attachment E is a ten year summary (FY 73-82) of the railroad financial operations during federal ownership. It should be noted that an additional \$66.2 million dollars in congressional appropriations was provided during this period to cover passenger expenses and certain capital needs.

ATTACHMENT A

Operating Budget - FY85

In Thousands (000) of Dollars

This operating budget is prorated for FY 85 except for the impacts to state agencies depicted in the 300 level. All amounts shown are in 1985 dollars. These estimates represent the total prorated FY 85 operating budget for the railroad following state acquisition. Projected revenues from the railroad's operations will serve as the main source of funds for these expenditures, with limited assistance from general fund appropriations.

| <u>Category</u> | <u>Amount</u> | <u>Explanation</u> |
|-----------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 100 Personal Services | \$24,300.0 | This funding level is based upon current work force of 478 permanent full-time, 38 part-time and 64 temporary positions. Of this amount salary comprises \$19,950 and benefits comprise \$4,350. Also included in this estimate are the Board of Directors' compensation expenses. |
| 200 Travel | 300.0 | This funding level is the estimate of travel funding needs, including the Board of Directors' travel expenses. |
| 300 Contractual | 4,800.0 | This funding level includes coverage of the following areas: continuation of Transfer Team activities for FY 85 - \$1,750.0 (see Attachment B); Transfer Financial Audit - \$200.0; \$200.0 for initiation of the Special Report required in Section 9 of the bill; Department of Administration - \$80.0 for archives preservation and labor relations coordination; costs for the labor relations agency under Article 8 of the bill - \$35.0; Department of Natural Resources - \$35.0 for land designation activities under Article 5 of the bill. The remainder of these funds are for the railroad's general contractual needs resulting from capital improvement, operations and financial planning activities. |

| | | |
|---------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 400 Supplies | 5,200.0 | This funding level is required for the day-to-day operations of the railroad, supporting all facets of operations from administration to maintenance of way. |
| 500 Equipment | 1,200.0 | This item is the complement of the supply item also supporting day-to-day railroad operations. |
| 700 Grants & Claims | 1,500.0 | This item provides for funds for the railroad's risk management expenses, payment of damage claims, workmen's compensation expenses and other money claims against the railroad. No grants are anticipated. |
| TOTAL: | <u>37,300.0</u> | |

ALASKA RAILROAD TRANSFER PROJECT

FY 85 PROJECT BUDGET

The goal of the Alaska Railroad Transfer Team is to provide an orderly and informed decision-making process for possible transfer of the Alaska Railroad from federal ownership, thus ensuring continuation of essential rail services in Alaska. If a decision is reached to pursue state take-over of the railroad, then it is also the goal of the Alaska Railroad Transfer Team to organize and oversee a systematic transition from federal ownership.

This document discusses the major work components of the FY 85 budget submittal. The need to pursue some of these efforts is entirely contingent on a decision to acquire, while other work efforts are separate from that decision. Attachment A provides the FY 85 budget submittal as introduced by the Governor. Attachment B is the project budget for FY 84 and provides considerable detail regarding several work tasks, many of which are ongoing in 1985.

The following breakdown is structured on a component or agency basis, versus reiterating specific details regarding ongoing work tasks. As a result, some of this explanation should be read in conjunction with Attachment B in order to fully understand all of the scheduled work efforts.

Work Component #1 - Alaska Railroad Transfer Team Staff

As indicated in Attachment A, funding is needed to support four positions in the Office of the Commissioner, Department of Transportation and Public Facilities. These positions are as follows: a State Railroad Coordinator (Special Assistant II); a Planner IV; a Planner III; and a Correspondence Secretary III. These four individuals comprise the Transfer Team Staff with direct responsibility for performance and coordination of all team activities. This group reports directly to the Commissioner of DOT&PF in the performance of their duties. The following breakdown represents expenditures directly related to this area by object of expenditure.

| <u>Object of Expenditure</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|-------------------------------------------|---------------|
| Personal Services | 4 Positions - DOT&PF | \$195,100 |
| Travel | 4 Positions - DOT&PF | 66,000 |
| Contractual | Printing/limited Professional Services | 35,000 |
| Supplies | Miscellaneous | <u>8,000</u> |
| | Total | \$304,100 |

Work Component #2 - Department of Natural Resources Assistance

An existing Reimbursable Services Agreement with the Department of Natural Resources will be continued during FY 85. Work efforts covered by this assistance include ongoing support activity by the Division of Technical Services for conveyance documents and related title review work. Additional support by DNR will be provided for coordination with the Bureau of Land Management's cadastral survey work and assistance from the Division of Land and Water Management to implement the railroad transfer. The following breakdown by object of expenditure presents the needed funding for these services.

| <u>Object of Expenditure</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|-----------------------|---------------|
| Personal Services | 4 Positions - DNR | \$191,900 |
| Travel | 4 Positions - DNR | 20,000 |
| Contractual | Miscellaneous | |
| | Professional Services | 30,000 |
| Supplies | Miscellaneous | 8,100 |
| | Total | \$250,000 |

Work Component #3 - Department of Labor Assistance

Specific assistance is still needed by the Department of Labor to perform an extensive survey of the railroad's physical facilities in relation to federal and state occupational safety and health laws, regulations and standards. Although this was scheduled for performance during FY 84, insufficient funding required postponement of this work effort until FY 85. Scheduled funds during FY 84 for this effort were diverted to cover additional labor relations work by the Department of Administration and the use of an Engineer-in-Training position to assist with the engineering condition assessment. The following breakdown provides an estimate for this activity by object of expenditure.

| <u>Object of Expenditure</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|-------------------------------------------------|---------------|
| Personal Services | 2 Full-time - DOL 2 part-time | \$142,700 |
| Travel | 2 Full-time - DOL | 7,300 |
| Training | 2 Full-time | 5,200 |
| Contractual | Miscellaneous Professional Services | 39,800 |
| Supplies | Miscellaneous | 6,500 |
| Equipment | Health Sampling Equipment/ Memory Typewriter | 12,000 |
| | Total | \$213,500 |

Work Component #4 - Department of Administration Assistance

Activity in the area will consist of continuing work efforts initiated during FY 84 explained under task #6 of Attachment B. Particular attention must be paid to the analysis of the five collective bargaining agreements, which will support the full scale initiation of the two-year renegotiation process in conjunction with the new entity established to operate the railroad. Another important work effort will be to conduct an orderly transition from federal to state ownership for all personnel matters and ensure that all of the specified requirements from the federal transfer legislation are properly met by the new organization established to operate the railroad. Other efforts include assistance with insurance and risk management needs. The following breakdown by object of expenditure presents the necessary funding for this area.

| <u>Object of Expenditure</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------------|---------------|
| Personal Services | 1 Full-time Position | \$105,000 |
| | 2 Part-time Positions | 45,000 |
| Travel | 1 Full-time, 2 Part-time | 105,000 |
| Contractual | Liaison Assistance/ | |
| | Miscellaneous | |
| | Professional Services | |
| Supplies | Miscellaneous | <u>2,400</u> |
| | Total | \$257,400 |

Work Component #5 - Department of Law Assistance

Assistance from the Department of Law is needed for several tasks to be performed by existing AG staff and retained special counsel. Included are the following work efforts: (1) legal work pertaining to the 3(e) (ANCSA) claims against railroad property by native village corporations, including ongoing negotiation and staff work to support the State's position during the adjudication process; (2) legal assistance for the preparation of transfer documents and attention to related land conveyance problems; (3) resulting from the response to various court actions by third parties because the railroad transfer; (4) ongoing legal assistance with issues involving regulation by the Interstate Commerce Commission (ICC); and (5) support of efforts relating to personnel/labor relation matters. The following breakdown by object of expenditure presents the needed funding for this area.

| <u>Object of Expenditure</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|---------------|
| Personal Services | Staff Attorneys | \$180,000 |
| Travel | Staff Attorneys | 20,000 |
| Contractual | Wickwire Lewis | 150,000 |
| | David Walsh | 75,000 |
| | David Rogers | 75,000 |
| | Total | \$500,000 |

Work Component #6 - ICC Rate Valuation/Capital Plan Activity

Work efforts under this component will consist of the following: (1) initiation of planning work necessary to file the appropriate valuation studies before the ICC for purposes of rate-making justification; and (2) performance of ongoing capital planning analysis. This second task will be a continuation of efforts performed under task #5 in Attachment B. It will be coordinated with the initiation of the ICC valuation studies to maximize generation of a data base useful to both efforts. Funding in this area is needed for contractual assistance, which will be directly managed by the Transfer Team Staff.

| <u>Object of Expenditure</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|-----------------------|---------------|
| Contractual | Consulting Assistance | \$225,000 |
| | Total | \$225,000 |

ALASKA RAILROAD TRANSFER PROJECT BUDGET
PROJECT BUDGET

The following depicts the project budget by work component and amount:

| | <u>Amount</u> |
|------------------------------------------------|----------------|
| (1) Alaska Railroad Transfer Team Staff | \$ 304,100 |
| (2) Department of Natural Resources Assistance | 250,000 |
| (3) Department of Labor Assistance | 213,500 |
| (4) Department of Administration Assistance | 257,400 |
| (5) Department of Law Assistance | 500,000 |
| (6) ICC Rate Valuation/Capital Plan Activity | <u>225,000</u> |
| Project Total | \$1,750,000 |

ATTACHMENT C

Capital Improvement Program - FY85

In Thousands (000) of Dollars

This CIP is prorated for FY 85. All amounts shown are in 1985 dollars. These estimates represent costs to the State, and are only part of the ARR's total capital budget. Revenues from the ARR for capital improvements will be added to State funding.

| <u>Item</u> | <u>Amount</u> | |
|----------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Working Capital Fund | \$ 4,900 | As with all businesses, the ARR will need working capital. It is estimated that one month's worth of operating expenses will be adequate working capital for the ARR. |
| OSHA/Code Compliance | \$ 4,500 | As a federal agency, the ARR has not been subject to many health, safety, and building code standards that would otherwise apply. These codes will apply upon transfer, and initial surveys conducted by the State have been used to determine necessary compliance levels. See Appendix C of the Alaska Railroad Acquisition Assessment for more details. |
| Other Capital Improvements | \$ 6,400 | These expenses represent the minimal expenditure necessary for the ARR to maintain current levels of service, while initiating efforts to reverse deterioration of physical plant condition. Component priorities have been selected using the findings of the State's independent condition assessment. As indicated in the attached supplement, most capital improvements are for track and roadbed, upgrade of certain cargo handling facilities, and motive power and equipment purchases. |
| TOTAL | <u>\$15,800</u> | |

Supplement to Item #3, Attachment C

Track & Roadbed - \$6,185,000

| | |
|-----------------------------------------------------------------|---------------|
| Ties - Install 50,000 @ \$42.00 ea. | = \$2,100,000 |
| Rail - Install 6 miles @ \$350,000 ea. | = \$2,100,000 |
| Ballast - Install 85,000 yd ³ @ \$14 yd ³ | = \$1,190,000 |
| Other - (Turnouts, sledding, culverts, ditching) | = \$ 795,000 |

Bridges - \$883,000

Replace stringers, bents, and spans
Reset bearings, piles, and abutments

Tunnels - \$1,060,200

Line with multi-plate
Excavate rock fall areas

Docks - \$706,800

Preliminary work to rebuild barge slip #1 at Whittier

Communications - \$570,000

Complete microwave system
Remove pole lines
Acquire equipment

Motive Power & Equipment - \$4,845,000

| | |
|--------------------|---------------|
| Locomotives | = \$2,250,000 |
| Upgrade Facilities | = \$1,845,000 |
| Equipment | = \$ 750,000 |

Note: This totals \$14.25 million and is the ARR's overall FY 85 capital budget, of which \$6.4 million is covered under this fiscal note.

FINANCIAL

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The following four financial statements (Tables VIII through XI) describe the financial situation (Note 1) of The Alaska Railroad.

TABLE VIII: STATEMENT OF INCOME
FISCAL YEARS 1982-83
(Thousand dollars)

| CATEGORY | 1983 | 1982 |
|------------------------------------------|------------------------|----------|
| REVENUES (Note 2): | | |
| Operating Revenues: | | |
| Freight | \$43,787 | \$47,877 |
| Passenger | 3,305 | 2,627 |
| Other (Note 15) | 5,305 | 4,941 |
| Total Operating Revenues | 52,397 | 55,445 |
| Non-Operating Revenues (Note 16) | 3,697 | 3,352 |
| Total Revenues | \$56,094 | \$58,797 |
| EXPENSES (Note 3): | | |
| Operating Expenses: | | |
| Maintenance of Way & Structures (Note 4) | \$9,859 ⁽¹⁾ | \$8,554 |
| Maintenance of Equipment | 12,326 | 11,702 |
| Transportation | 19,551 | 18,685 |
| Traffic Management | 865 | 757 |
| Incidental | 4,529 | 4,152 |
| General and Administration (Note 5) | 5,863 | 5,128 |
| Total Operating Expenses | 52,993 | 48,978 |
| Non-Operating Expense (Note 17) | 277 | 258 |
| Total Expenses | \$53,270 | \$49,236 |
| NET PROFIT (Surplus) | \$2,824 | \$9,561 |
| Add Depreciation included in Expenses | 4,404 | 3,712 |
| CASH FLOW (Gain) | \$7,228 | \$13,273 |

Notes follow Table XI

(1) Includes \$1.7 million which was part of Congressional Appropriation major maintenance and not included in FY 1982 expense.

| | | |
|-----------------------|--------|--------|
| Expense/Revenue Ratio | 94.97% | 83.74% |
|-----------------------|--------|--------|

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TABLE IX: BALANCE SHEET
SEPTEMBER 1982-83
(Thousand dollars)

| CATEGORY | 1983 | 1982 |
|-----------------------------------------------------------------------|------------------|------------------|
| ASSETS: | | |
| Current Assets: | | |
| Cash (Note 8) | \$9,646 | \$14,966 |
| Trust and Deposit Funds (Note 9) | 32 | 7 |
| Accounts Receivable | 14,195 | 13,105 |
| Materials and Supplies (Note 10) | 10,143 | 7,040 |
| Prepaid Expenses | 20 | 0 |
| | <u>34,036</u> | <u>35,118</u> |
| Properties: | | |
| Land (Note 11) | 265 | 265 |
| Buildings | 12,943 | 12,921 |
| Roadway Structures & Facilities | 127,215 | 125,000 |
| Equipment | 57,895 | 49,864 |
| Non-Operating Property | 1,847 | 1,877 |
| Total Properties | <u>200,265</u> | <u>189,927</u> |
| Less Accumulated Depreciation: | <u>60,516</u> | <u>57,678</u> |
| Properties - Net | 139,749 | 132,249 |
| Additions & Betterments in Progress (Note 12) | 11,599 | 12,059 |
| | <u>151,348</u> | <u>144,308</u> |
| Other Assets and Deferred Charges | 2,526 | 3,029 |
| Total Assets | <u>\$187,910</u> | <u>\$182,455</u> |
| LIABILITIES & PROPRIETARY INTEREST OF THE U.S. GOVERNMENT: | | |
| Current Liabilities: | | |
| Accounts Payable | \$4,721 | \$3,416 |
| Accrued Payrolls Payable | 1,320 | 1,056 |
| Trust and Deposit Funds (Note 9) | 32 | 7 |
| | <u>6,073</u> | <u>4,479</u> |
| Other Liabilities and Unadjusted Credits | 2,209 | 3,152 |
| Total Liabilities | <u>\$8,282</u> | <u>\$7,631</u> |
| Proprietary Interest (Note 13): | | |
| Net Investment | 200,621 | 192,995 |
| Retained Earnings from July 1, 1954 | (19,171) | (23,775) |
| Current Year Operating Results | 2,824 | 9,500 |
| Extraordinary Items (Note 6) | (5,646) | (4,154) |
| Total Proprietary Interest (Note 13) | <u>179,628</u> | <u>174,824</u> |
| Total Liabilities & Proprietary Interest | <u>\$187,910</u> | <u>\$182,455</u> |

Notes follow Table XI

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TABLE X: STATEMENT OF CHANGES IN FINANCIAL POSITION
 FISCAL YEARS 1982-83
 (Thousand dollars)

| CATEGORY | 1983 | 1982 |
|------------------------------------------------|----------------|-----------------|
| Funds were provided by: | | |
| Revenues and Other Receipts | \$56,438 | \$58,699 |
| Appropriations from Congress (Note 14) | <u>7,600</u> | <u>6,160</u> |
| Total Funds Provided | 64,038 | 64,859 |
| Funds were used for: | | |
| Labor | 35,579 | 33,221 |
| Other | 14,044 | 17,839 |
| Capital Improvements & Replacements | <u>16,348</u> | <u>11,821</u> |
| Total Funds Used | 65,971 | 62,291 |
| Increase (Decrease) in Government Equity | (1,933) | 1,978 |
| Other Increases (Decreases): | | |
| Undelivered Orders | (2,924) | 3,983 |
| Supplies and Materials | 3,103 | 1,119 |
| Properties | 7,040 | 3,964 |
| Other | <u>(482)</u> | <u>513</u> |
| Total, Other | 6,737 | 9,579 |
| Total Increase (Decrease) in Government Equity | <u>\$4,804</u> | <u>\$11,557</u> |
| Proprietary Interest: | | |
| Beginning Balance | \$174,824 | \$163,267 |
| Increase (Decrease) | <u>4,804</u> | <u>11,557</u> |
| Ending Balance (Note 13) | \$179,628 | \$174,824 |

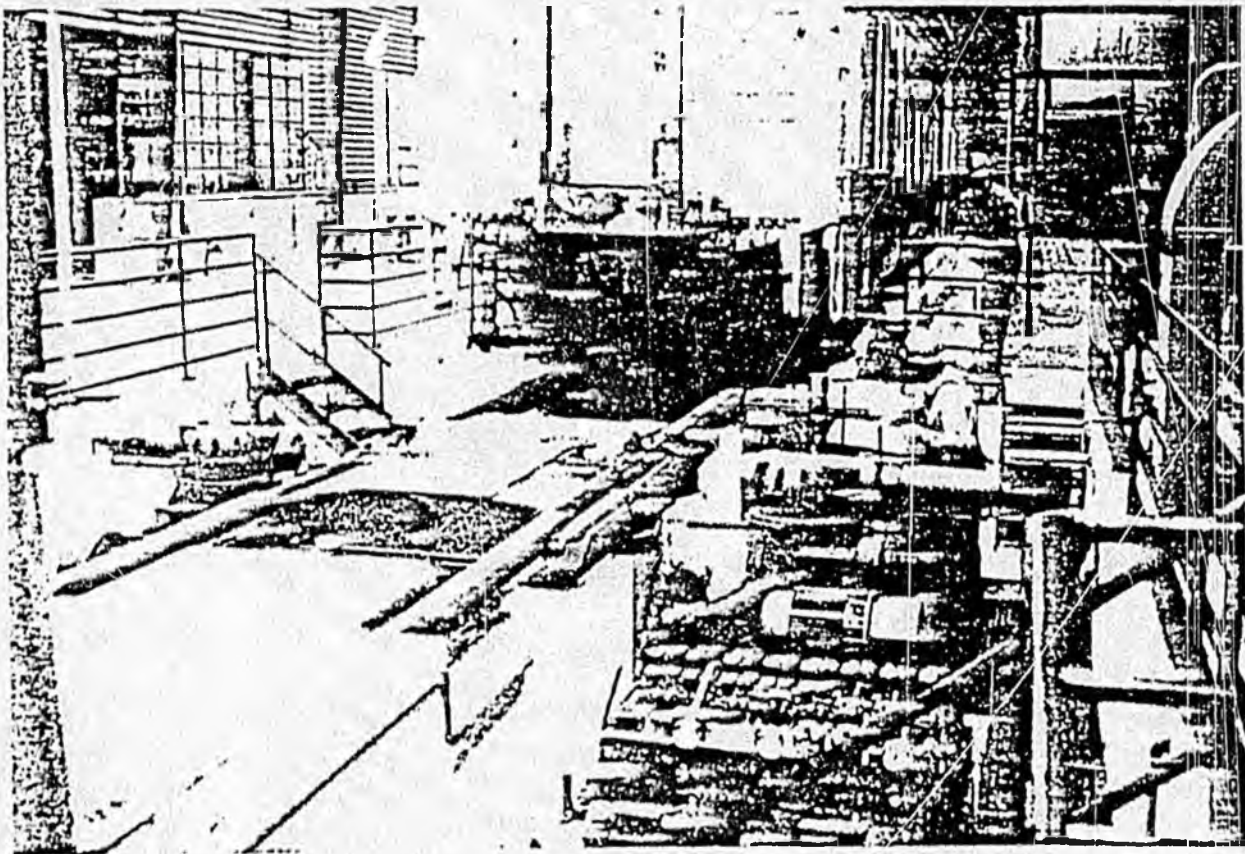
Notes follow Table XI

DRAFT

TABLE XI: FIVE-YEAR CONDENSED SUMMARY OF OPERATIONS
FISCAL YEARS 1979-83
(Thousand dollars)

| CATEGORY | 1983 | 1982 | 1981 | 1980 | 1979 |
|--------------------------------------|------------------|------------------|----------------|----------------|----------------|
| REVENUES: | | | | | |
| Operating | \$52,397 | \$55,445 | \$40,782 | \$26,737 | \$23,200 |
| Non-Operating (Note 16) | <u>3,697</u> | <u>3,352</u> | <u>3,159</u> | <u>2,155</u> | <u>2,081</u> |
| Total Revenues | \$56,094 | \$58,797 | \$43,941 | \$28,892 | \$25,181 |
| EXPENSES: | | | | | |
| Operating | \$52,993 | \$48,978 | \$40,358 | \$34,380 | \$31,285 |
| Non-Operating (Note 17) | <u>277</u> | <u>258</u> | <u>273</u> | <u>344</u> | <u>204</u> |
| Total Expenses | \$53,270 | \$49,236 | \$40,631 | \$34,724 | \$31,489 |
| NET PROFIT (LOSS) | \$2,824 | \$9,561 | \$3,310 | (\$5,832) | (\$6,308) |
| Less Extraordinary Items (Note 6) | <u>(\$5,646)</u> | <u>(\$4,154)</u> | <u>(\$204)</u> | <u>(\$692)</u> | <u>(\$319)</u> |
| Annual Retained Earnings | (\$2,822) | \$5,407 | \$3,106 | (\$6,524) | (\$6,627) |
| Expense/Revenue Ratio | 94.97% | 83.74% | 92.47% | 120.19% | 125.05% |

Notes follow Table XI



A modern wheel truing machine was installed in a newly constructed shop building in 1983.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

The Alaska Railroad uses the generally accepted principles, standards, and related requirements of governmental accounting as approved by the Comptroller General of the United States. Operations are conducted in a manner consistent with related commercial enterprises and, at the same time, in conformance with the requirements incumbent upon a Government agency.

As is the customary practice of the industry, the Railroad uses betterment and retirement accounting instead of depreciation accounting for roadbed and track. Under this method, prescribed by the Interstate Commerce Commission, the cost of replacing tracks and structures--less salvage recovered--is charged to the appropriate operating expense account and only the cost of betterments is capitalized. These capitalized items are not depreciated, but upon retirement of the tracks and structures, the entire capitalized amounts--less salvage recovered--are charged to expense.

The accounting system and related procedures disclose financial condition and operating results to provide full accountability of the Government's investment in the Railroad and to provide management the necessary data to carry out its responsibility in the most efficient and economical manner.

The Railroad is financed from a revolving fund.

2. REVENUES

Revenues from rail operations are included in income on an accrual basis upon the completion of service.

3. EXPENSES

Expenses are accrued or applied or both on a basis consistent with generally accepted accounting principles.

4. MAINTENANCE OF WAY AND STRUCTURES

Maintenance of way and structures include expenses incurred by engineering (\$9,207,000) and communications (\$652,000).

5. GENERAL AND ADMINISTRATION

General and administration accounts include expenses for headquarters and staff (\$1,370,000) and the administration department (\$4,485,000).

6. EXTRAORDINARY ITEMS

Extraordinary items include the loss on excess current inventories (\$23,000), deferred outlays (\$3,760,000), prior-year adjustments (\$697,000), and costs associated with the transfer evaluation (\$1,166,000).

7. DEPRECIATION

Depreciation is computed using the straightline method and is based on estimated service lives of depreciable properties, except for the railway track and structures, which are computed using the industry betterment method. Depreciation charges are determined by using the composite or group rates applicable to various classes of property.

The following is a list of depreciation charges in FY 1983:

| (Thousand dollars) | |
|----------------------------------------|-----------|
| Mechanical - equipment | \$2,807 |
| Engineering - buildings and structures | 892 |
| Transportation - docks | 438 |
| Communications | 170 |
| Non-operating | 66 |
| Other | <u>31</u> |
| Total | \$4,404 |

8. CASH

Cash refers to the fund balance with the U.S. Treasury, which is the net amount of cash receipts, e.g., revenues, proceeds from sales, and amounts of congressional appropriations, less disbursements.

9. TRUST AND DEPOSIT FUNDS

Trust and deposit funds include special deposits and other collections not covered by the revolving fund and cleared by disbursement or transfer, as appropriate. A contra account to this asset account is reflected in the liability section.

10. MATERIALS AND SUPPLIES

Inventories, consisting of replacement or repair parts for equipment and road property, construction materials, and fuel, are valued at average cost, including freight.

11. LAND

Land includes only property purchased by the Railroad from private owners and carried at acquisition cost. The Railroad owns over 38,000 acres withdrawn from the public domain at no cost; this land is not included in the financial records.

12. ADDITIONS AND BETTERMENTS IN PROGRESS

This is a control account for authorized capital projects during the period of construction or procurement. Upon completion of the capital project, the related costs are transferred into the appropriate fixed asset property account.

13. PROPRIETARY INTEREST OF THE U.S. GOVERNMENT

The proprietary interest shows the Federal Government's net interest in The Alaska Railroad. At the end of FY 1983, it is summarized as follows:

| | (Thousand dollars) |
|--------------------------------------------------------|--------------------|
| Appropriation by Congress | \$259,496 |
| Allotments from other agencies, sales of lots, etc. | 1,724 |
| Property transferred or donated (not public domain) | 19,903 |
| Earthquake losses | (16,738) |
| Deficits from operations and capital losses to 6/30/54 | (63,764) |
| Retained earnings (7/1/54 to 9/30/82) | (18,171) |
| FY 1983 operating results | 2,824 |
| Extraordinary Items (Note 6) | <u>(5,646)</u> |
| Total proprietary interest of the U.S. Government | \$179,628 |

14. CONGRESSIONAL APPROPRIATIONS

Funds appropriated by Congress were obligated within the fiscal year, as shown below:

| | (Million dollars) | |
|----------------------------------------------|-------------------|---------------|
| | <u>FY 83</u> | <u>FY 82</u> |
| Congressional appropriations received | \$7.60 | \$6.16 |
| Obligated during fiscal year | <u>\$7.60</u> | <u>\$6.16</u> |
| Amount unobligated at end of fiscal year | \$0.00 | \$0.00 |

15. OTHER OPERATING REVENUES

Other operating revenues include those revenues that were neither freight nor passenger. Individual accounts exceeding \$90,000 in FY 1983 were:

| | (Thousand dollars) |
|--------------------------------------------------------|--------------------|
| Reimbursable services | \$2,036 |
| Sale of non-invested property | 1,301 |
| Reimbursements - real estate, utilities, and equipment | 541 |
| Whittier shuttle - vehicles | 533 |
| Wharfage and handling | 148 |
| Mail | 145 |
| Switching | 116 |
| Equipment rentals | 90 |
| All other | <u>395</u> |
| Total | \$5,305 |

16. NON-OPERATING REVENUES

Non-operating revenues in FY 1983 were:

(Thousand dollars)

| | |
|-----------------------|-----------|
| Miscellaneous rentals | \$3,466 |
| Interest earned | 144 |
| All other | <u>87</u> |
| Total | \$3,697 |

17. NON-OPERATING EXPENSES

Non-operating expenses in FY 1983 were:

(Thousand dollars)

| | |
|--------------|----------|
| Buildings | \$199 |
| Depreciation | 60 |
| Equipment | 10 |
| All Other | <u>2</u> |
| Total | \$277 |



At a re-enactment of the original golden spike ceremony Governor Sheffield wields the same maul used by President Harding in 1923.

FREIGHT

Table II shows freight revenue tons and freight revenue dollars by major classification of commodities for fiscal years 1983 and 1982. Total tonnage for fiscal year 1983 exceeded fiscal year 1982 by 34 percent. For the third consecutive year sand and gravel led all other commodities in percentage gains. The primary cause of the 50-percent escalation was a vigorous private and business construction year plus increases in public works projects in Anchorage. The drop in movements of iron and steel products from Seward to Fairbanks destined for the North Slope from its peak in 1982 accounted for the return of manufacturers and miscellaneous products to a lower level, but still above FY 1981.

TABLE II: FREIGHT TRAFFIC BY COMMODITY

| COMMODITY | 1983 FY | 1982 FY | % CHANGE |
|------------------------------|------------|------------|-------------|
| REVENUE TONS CARRIED (000's) | | | |
| Sand and Gravel | 4,397.7 | 2,753.8 | + 59.7 |
| Coal | 625.8 | 653.6 | - 4.2 |
| Petroleum, Oil, Lubricants | 462.2 | 439.4 | + 5.2 |
| Manufacturers and Misc. | 323.1 | 449.9 | - 28.2 |
| TOFC/COFC (Piggyback) | 98.0 | 122.4 | - 19.9 |
| Products of Forests | 105.1 | 77.0 | + 36.5 |
| Products of Agriculture | <u>6.1</u> | <u>6.8</u> | - 10.3 |
| Total Tonnage | 6,018.0 | 4,502.9 | + 33.7 |
| REVENUE DOLLARS (000's) | | | |
| Sand & Gravel | 6,647 | 4,556 | + 45.9 |
| Coal | 5,007 | 5,072 | - 1.3 |
| Petroleum, Oil, Lubricants | 9,723 | 8,376 | + 16.1 |
| Manufacturers and Misc. | 15,704 | 22,512 | - 30.2 |
| TOFC/COFC (Piggyback) | 3,625 | 4,915 | - 26.2 |
| Products of Forests | 2,955 | 2,301 | + 28.4 |
| Products of Agriculture | <u>126</u> | <u>145</u> | - 13.1 |
| Total Revenue | 43,787 | 47,871 | - 8.5 |

PASSENGER

Aggressive and expanded advertising and marketing resulted in an overall increase of 21 percent in passenger ridership as shown in Table II. The marketing efforts included active promotion of tour packages which attracted, for the first time, nine cruise ships to stop at the Railroad's Port of Whittier, and provided over 14,000 of the special train riders.

TABLE III: PASSENGERS HANDLED

| SERVICE | 1983 FY | 1982 FY | % CHANGE |
|-----------------------------------------|---------------|---------------|-------------|
| Anchorage-Denali-Fairbanks | 61,887 | 60,810 | + 1.8 |
| Anchorage-Portage-Whittier (Shuttle) | 117,740 | 95,449 | + 23.4 |
| Specials: | <u>31,732</u> | <u>18,857</u> | + 68.5 |
| Total Passengers Handled | 211,359 | 175,116 | + 20.7 |

The number of vehicles carried on the Anchorage-Portage-Whittier (shuttle) service was 19,516, up 10 percent over FY 1982.

TARRIFS

The major rate adjustments made in FY 1983 are reflected in Table IV:

TABLE IV: FY 1983 TARIFF CHANGES

| TYPE | DATE | % INCREASE |
|-----------------------|---------|------------|
| Interline | 1-17-83 | 5 |
| Intrastate: | | |
| General Commodities | 2-12-82 | 5 |
| Gravel | 4-19-83 | 3 |
| Passenger: | | |
| Anchorage - Fairbanks | 1-01-83 | 10 |
| Whittier Shuttle | 7-01-83 | 10 |

Attachment E
3/14/84

ALASKA RAILROAD OPERATIONS SUMMARY
(Dollar Amounts in Thousands)
Fiscal Years 1973-1982*

| | FY 1973 | FY 1974 | FY 1975 | FY 1976 | FY 1977 | FY 1978 | FY 1979 | FY 1980 | FY 1981 | FY 1982 |
|--------------------------------------------------------------------|-----------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating Revenue | \$16,996 | \$20,783 | \$41,416 | \$52,517 | \$33,376 | \$27,440 | \$23,100 | \$26,737 | \$40,782 | \$55,445 |
| Non-Operating Revenue | 681 | 703 | 871 | 1,161 | 1,646 | 1,651 | 2,081 | 2,155 | 3,159 | 3,352 |
| <u>Total Revenues</u> | <u>17,677</u> | <u>21,486</u> | <u>42,287</u> | <u>53,678</u> | <u>35,022</u> | <u>29,091</u> | <u>25,181</u> | <u>28,892</u> | <u>43,941</u> | <u>58,797</u> |
| Operating Expenses | \$20,057 | \$22,389 | \$35,883 | \$49,387 | \$35,703 | \$33,301 | \$31,285 | \$34,380 | \$40,358 | \$48,978 |
| Non-Operating Expenses | 153 | 158 | 272 | 191 | 255 | 213 | 204 | 344 | 273 | 258 |
| <u>Total Expenses</u> | <u>20,210</u> | <u>22,547</u> | <u>36,155</u> | <u>49,578</u> | <u>35,958</u> | <u>33,514</u> | <u>31,489</u> | <u>34,724</u> | <u>40,631</u> | <u>49,236</u> |
| Gain (Loss) | | | | | | | | | | |
| Before depreciation - cash flow (\$ 7) | \$ 7 | \$ 1,300 | \$ 8,513 | \$ 6,628 | \$ 2,186 | (\$ 1,227) | (\$ 3,089) | (\$ 2,306) | \$ 6,567 | \$13,274 |
| After depreciation | (\$ 2,533) | (\$ 1,061) | \$ 6,132 | \$ 4,100 | (\$ 936) | (\$ 4,423) | (\$ 6,308) | (\$ 2,832) | \$ 3,310 | \$ 9,561 |
| <u>Capital Expenditures</u> | <u>\$ 1,260</u> | <u>\$ 313</u> | <u>\$ 2,772</u> | <u>\$ 8,602</u> | <u>\$ 8,316</u> | <u>\$ 5,823</u> | <u>\$ 8,181</u> | <u>\$ 6,895</u> | <u>\$11,409</u> | <u>\$11,821</u> |
| <u>Revenue Tons of Major Commodities</u> (in thousands of tons) | | | | | | | | | | |
| Sand and Gravel | 2 | 1 | 1 | 104 | 700 | 727 | 637 | 396 | 1,797 | 2,754 |
| Bulk Petroleum | 363 | 414 | 557 | 624 | 532 | 374 | 220 | 252 | 379 | 439 |
| Coal | 565 | 563 | 584 | 607 | 550 | 593 | 524 | 590 | 653 | 654 |
| Iron & Steel Pipe & Fittings | 11 | 15 | 107 | 174 | 16 | 28 | 33 | 37 | 83 | 165 |
| Piggyback | 48 | 57 | 95 | 114 | 100 | 100 | 89 | 92 | 113 | 122 |
| Forest Products | 49 | 56 | 120 | 124 | 82 | 68 | 55 | 109 | 101 | 77 |
| Manufactured Iron & Steel | 18 | 37 | 60 | 89 | 19 | 12 | 12 | 10 | 8 | 19 |
| Cement | 15 | 14 | 25 | 32 | 42 | 33 | 33 | 32 | 43 | 51 |
| Machinery and Machines | 12 | 21 | 60 | 31 | 47 | 47 | 24 | 16 | 28 | 24 |
| Hfrs. & Misc. NOS | 32 | 34 | 44 | 29 | 17 | 13 | 25 | 26 | 11 | AA |
| Other | 216 | 165 | 209 | 260 | 200 | 183 | 156 | 181 | 146 | 198 |
| <u>TOTAL</u> | <u>1,331</u> | <u>1,337</u> | <u>1,862</u> | <u>2,188</u> | <u>2,305</u> | <u>2,178</u> | <u>1,808</u> | <u>1,741</u> | <u>3,362</u> | <u>4,503</u> |
| <u>Passengers</u> | <u>74,000</u> | <u>84,000</u> | <u>81,000</u> | <u>84,500</u> | <u>103,632</u> | <u>126,277</u> | <u>151,045</u> | <u>150,678</u> | <u>161,068</u> | <u>175,116</u> |

* The Federal Government changed its fiscal year from July 1-June 30 to October 1-September 30 beginning in FY 1977, resulting in a transition quarter in 1976. To avoid a 15-month fiscal year for comparisons, these statistics use July 1, 1975 through June 30, 1976 as FY 1976, and October 1, 1976 through September 30, 1977 as FY 1977, dropping the transition quarter.

AAHfrs. & Misc. NOS. (not otherwise specified) discontinued, now included in specific categories.

1
2
3 IN THE SENATE

SENATE TRANSPORTATION
COMMITTEE SUBSTITUTE

4
5 SENATE BILL NO. 352

6 IN THE LEGISLATURE OF THE STATE OF ALASKA

7 THIRTEENTH LEGISLATURE -- SECOND SESSION

8 A BILL

9 For an Act entitled: "An Act establishing the Alaska Railroad
10 Corporation to manage and operate the Alaska
11 Railroad; and providing for an effective date."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. LEGISLATIVE FINDINGS AND PURPOSE.

14 (a) The Legislature finds that

15 (1) It is the policy of the state to

16 (A) provide safe, economical, and efficient transportation
17 to residents, businesses, visitors, and military installations in the
18 state;

19 (B) foster and promote the long-term economic growth and
20 development of the state;

21 (C) develop and implement plans for a transportation
22 network;

23 (D) foster and promote the development of the state's land
24 and natural resources;

25 (2) the Alaska Railroad is an essential part of the state
26 transportation network that may, unless preserved by state action,
27 cease to be a transportation option in Alaska;

1 (3) the federal government has offered to the state the option
2 of taking over the Alaska Railroad to ensure its continued existence;

3 (4) it is in the state's best interest to accept the railroad
4 under the terms and conditions offered by the United States
5 government;

6 (b) It is the purpose of this Act to create a viable
7 economic entity with the powers and duties necessary to operate and
8 manage the Alaska Railroad pending eventual transfer to the private
9 sector for ownership or operation or both consistent with 45 U.S.C.
10 1201-1214 (Alaska Railroad Transfer Act of 1982). It is the purpose
11 of the legislature to

12 (1) provide for the level of service that best satisfies the
13 needs of the people of the state consistent with the other findings
14 and policies of this section.

15 (2) create a public corporation with the powers, duties, and
16 functions needed to operate the Alaska Railroad and manage its rail,
17 industrial, port and other properties in the best interest of the
18 people of the state by insuring that the corporation will

19 (A) be exclusively responsible for the management of the
20 financial and legal obligations of the Alaska Railroad;

21 (B) operate the railroad as a common carrier subject to the
22 jurisdiction of the United States Interstate Commerce Commission
23 consistent with 45 U.S.C. 1207;

1 (C) have the ability to raise capital by issuing
2 obligations exempt from federal and state taxation;

3 (D) carry out its responsibilities on a self-sustaining
4 basis;

5 (E) provide the best possible combination of types and
6 levels of safe, efficient, and economical transportation to meet the
7 overall needs of the state, supported when necessary by state
8 investment;

9 (F) provide for the prudent operation of the railroad
10 according to sound business management practices; and

11 (G) preserve the integrity of the railroad utility corridor
12 for transportation, communication, and transmission purposes.

13 (3) insure that borrowing by the corporation does not directly
14 or indirectly endanger the state's own borrowing capacity.

15 * Sec. 2. AS 42 is amended by adding a new chapter to read:

16 CHAPTER 40. ALASKA RAILROAD CORPORATION.

17 ARTICLE 1. ESTABLISHMENT AND ORGANIZATION.

18 Sec. 42.40.010. ESTABLISHMENT OF THE CORPORATION. There is
19 established the Alaska Railroad Corporation. The corporation is a
20 public corporation and for the purposes of art. III, sec. 22, Con-
21 stitution of the State of Alaska, is an instrumentality of the state
22 within the Department of Commerce and Economic Development. The
23 corporation has a legal existence independent of and separate from the
24 state. The exercise by the corporation of the powers provided in this
25 chapter is considered an essential government function of the state.

26 Sec. 42.40.020. BOARD OF DIRECTORS. (a) The powers of the
27 corporation are vested in the board of directors. The board consists
28 of the commissioner of Commerce and Economic Development and six
29 voting members appointed by the Governor. These six members

1 must be residents of and registered voters in the state except
2 as provided in (b) and (c) of this section. No more than two of these
3 members may be from any one of the four judicial districts in the
4 state. Two of the voting members must have at least five years
5 experience as owners or managers of a business in the state. Except
6 for the commissioner of Commerce and Economic Development, a voting
7 member may not be a state officer or employee.

8 (b) One person may be appointed by the governor to be a voting
9 member of the board, if, at the time of appointment, the person has a
10 least 10 years of experience in management of railroads.

11 (c) Unless prohibited by law, one voting member shall be or have
12 been an executive official of an American railroad that is not now or
13 was never a connecting carrier* of the Alaska railroad.

14 *(d) In addition to the voting members, the following nonvoting
15 members shall serve on the board:

16 (1) an employee of the corporation appointed by the governor
17 to represent the employees;

18 (2) the chief executive officer of the corporation.

19 (e) The voting members of the board shall be confirmed by a
20 majority of the membership of the legislature in joint session. A
21 member appointed by the governor has the full powers and responsibilities
22 of a confirmed board member unless and until the member has been
23 rejected by the legislature.

24 (f) The board shall elect from its membership a chairperson and
25 vice-chairperson and prescribe their specific duties by rule.

26
27 *Problem - future analysis
28
29

1 (g) The board shall appoint a secretary and prescribe the spe-
2 cific duties of the secretary.

3 (h) The chairperson shall call meetings of the board at least
4 once every three months. The chairperson may call other meetings of
5 the board as the chairperson considers necessary. The chairperson
6 shall preside at meetings of the board.

7 Sec. 42.40.030. TERM OF OFFICE; REMOVAL. Except for the
8 commissioner of Commerce and Economic Development, the voting members
9 of the board serve for staggered terms of five years each, and serve
10 at the pleasure of the governor during their terms.

11 Sec. 42.40.040. VACANCIES. (a) A vacancy on the board is
12 filled by appointment by the governor, and the appointment must be
13 confirmed by the legislature in joint session. A member selected to
14 fill a vacancy holds office for the balance of the term for which the
15 member's predecessor is appointed.

16 (b) A vacancy on the board does not impair the authority of
17 a quorum of members to exercise the powers and perform the duties of the
18 board.

19 (c) A member whose term has expired shall serve until a succes-
20 sor has been appointed.

21 Sec. 42.40.050. COMPENSATION AND EXPENSES. (a) An appointed
22 member of the board is entitled to compensation at a rate of \$250 for
23 each day the member is engaged in the actual performance of duties as
24 a member of the board. The board may provide by rule for compensation
25 for partial days during which a member is engaged in the actual
26 performance of duties.

27 (b) In addition to compensation under (a) of this section, an
28
29

1 appointed member of the board is entitled to per diem and travel
2 expenses authorized by law for state boards and commissions.

3 Sec. 42.40.060. QUORUM. Four voting members of the board
4 constitute a quorum for the transaction of business.

5 Sec. 42.40.070. VOTING. Four affirmative votes are required for
6 board action. The board shall provide by rule for the manner of
7 voting, except that the board may not provide for voting by proxy.
8 The rules may provide for voting and conferring by means of telecommu-
9 nication devices.

10 ARTICLE 2. MANAGEMENT.

11 Sec. 42.40.090. MANAGEMENT BY THE BOARD. The board is responsible
12 for the management of the corporation but shall delegate certain
13 powers and duties to the chief executive officer in accordance with AS
14 42.40.110. In carrying out its responsibilities under this section
15 the board shall, subject to AS 42.40.110,

16 (1) be responsible for the management of the financial and
17 legal obligations of the Alaska Railroad;

18 (2) operate the Alaska Railroad as a common carrier
19 subject to the jurisdiction of the United States Interstate Commerce
20 Commission consistent with 45 U.S.C. 1207;

21 (3) Generally manage the corporation on a self-sustaining
22 basis;

23 (4) apply to the legislature for a subsidy if it is
24 required to maintain a service which is not otherwise self-sustaining;

25 (5) provide for safe, efficient, and economical
26 transportation to meet the overall needs of the state;

27 (6) raise needed capital by issuing obligations of the
28 corporation while insuring that borrowing by the corporation does not
29

1 directly or indirectly endanger the state's own borrowing capacity.

2 (7) The board shall review all public and private land
3 disposals proposals in planning for future development or expansion.

4 Sec. 42.40.100. EXECUTIVE OFFICERS. (a) The board shall
5 appoint the chief executive officer of the corporation subject to the
6 approval by the Governor. The chief executive officer serves at the
7 pleasure of the board. The board shall fix compensation for the chief
8 executive officer.

9 (b) The chief executive officer of the corporation shall appoint
10 and fix the compensation for other executive officers. The appoint-
11 ment of other executive officers and their compensation are subject to
12 board approval.

13 Sec. 42.40.110. DELEGATION. (a) The board shall by rule
14 delegate powers and duties necessary and appropriate for the
15 management of the daily affairs and operations of the corporation to
16 the chief executive officer, subject to a requirement of board
17 concurrence or authorization imposed by the rules.

18 (b) Within 60 days of its establishment, the board shall by rule
19 delegate the following activities of the corporation to the chief
20 executive officer or other executive officers designated by the board:

21 (1) leasing, granting easements in, issuing permits for the
22 use of, or conveying other interests that do not constitute a transfer
23 of the corporation's entire interest in real property of the
24 corporation;

25 (2) establishing specific rates, tariffs, divisions, and
26 contract rate agreements;

27 (3) making routine changes in service levels; and

28 (4) performing procurement activities.

29

1 (c) Specific board authorization or concurrence is required for
2 the following:

3 (1) transferring the corporation's entire interest in real
4 property;

5 (2) issuing notes, debentures, and bonds;

6 (3) mortgaging or pledging corporation assets;

7 (4) donating property, or other assets belonging to the
8 corporation;

9 (5) acting as a surety or guarantor;

10 (6) adopting a long-range expansion and capital improvement
11 plan;

12 (7) certifying annual reports;

13 (8) effecting generally applicable increases and decrease
14 in rates other than those periodically approved by the United States
15 Interstate Commerce Commission;

16 (9) expanding or reducing services in a major way;

17 (10) expanding the main or branch lines, other than performing
18 the routine track alignment as necessary to maintain service levels in
19 effect on the date of transfer;

20 (11) selecting independent auditors and accountants;

21 (12) the exercise of the power of eminent domain;

22 (13) collective bargaining agreements as provided by
23 42.40.700.

24 ARTICLE 3. ADMINISTRATIVE PROVISIONS.

25 Sec. 42.40.200. PUBLIC BOARD MEETINGS. (a) The meetings of the
26 board are public except executive sessions. The question of holding

1 an executive session to discuss matters that come within the
2 exceptions contained in (b) and (c) of this section shall be
3 determined by a majority vote of the body. No subjects may be
4 considered at the executive session except those mentioned in the
5 motion calling for the executive session unless auxiliary to the main
6 question. No action may be taken at the executive session.

7 (b) The following excepted subjects may be discussed in an
8 executive session:

9 (1) matters, the immediate knowledge of which would clearly
10 have an adverse effect upon the finances of the Alaska Railroad;

11 (2) subjects that tend to prejudice the the reputation and
12 character of any person, provided the person may request a public
13 discussion;

14 (3) matters which by law, municipal charter, or ordinance
15 are required to be confidential.

16 (c) The board may consider in executive session matters that
17 pertain to personnel, the corporation's legal position, land
18 acquisition or disposal, or proprietary information, as defined in a
19 manner consistent with the standards and practices of the United
20 States Interstate Commerce Commission for protection of information
21 associated with specific shippers, divisions, and contract rate
22 agreements.

23 Sec 42.40.220. MINUTES AND NOTICE OF MEETINGS. The board shall
24 keep minutes of each meeting. Reasonable notice of the meetings shall
25 be provided to the public.

1 **Sec. 42.40.230. RULES. The board shall establish a procedure
2 for adopting rules to carry out its functions and the purposes of this
3 chapter. The rules shall include a procedure for the adoption of
4 emergency rules when the adoption of an emergency rule is essential to
5 continue or to reinstate the orderly operation of the corporation's
6 facilities or program.

7 Sec. 42.40.240. PUBLIC DISCLOSURE OF INFORMATION. (a) Except
8 as provided by rule of the corporation under (b) of this section
9 information in the possession of the corporation is public and is open
10 to public inspection at reasonable times.

11 (b) The corporation may by rule designate and withhold public
12 disclosure of matters of a nonpublic, privileged, or proprietary
13 nature. Those matters include personnel records, communications with
14 and work product of counsel consistent with the standards and
15 practices of the United States Interstate Commerce Commission, and
16 information associated with specific shippers, divisions, and contract
17 rate agreements.

18 Sec. 42.40.260. ANNUAL REPORT. Within 90 days following
19 the end of the fiscal year of the railroad the board shall direct
20 preparation of, certify and distribute to the governor and to the
21 legislature a report describing the operations and financial condition
22 of the corporation during the preceding fiscal year. This report
23 shall include a breakdown of a service's real costs and income in each
24 category of railroad operations.

25
26 **To be revised to include notice of adoption of rules as required by
27 Alaska Housing Finance or Permanent Fund Corporation.
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*State
Language*

1 Sec. 42.40.230. Rules. (a) The board shall establish in its bylaws
2 a procedure for adopting rules to carry out its functions and the purposes of
3 this chapter.

4 (1) The corporation shall make available to members of the public
5 copies of the rules adopted under this section.

6 (2) Within 45 days after adoption, the chairman of th board shall
7 submit a rule adopted under this section to the chairman of the Administrative
8 Regulation Review Committee under AS 24.20.400 - 24.20.460.

9 (b) Except as provided in (c) of this section, at least 15 days before the
10 adoption, amendment, or repeal of a rule, the board shall give public notice of
11 the proposed action by publishing the notice in at least three newspapers of
12 general circulation in the state and by mailing a copy of the notice to every
13 person who has filed a request for notice of proposes rules with the board or
14 the corporation. The public notice must include a statement of the time, place,
15 and nature of the proceedings for the adoption, amendment, or repeal of the rule
16 and must include and informative summary of the proposed subject of the rule.
17 On the date and at the time and place designated in the notice, the board shall
18 give each interested person or his authorized representative , or both, the
19 opportunity to present statements, arguments or contentions in writing, and
20 shall give members of the public an opportunity to present statements, argu-
21 ments, or contentions in writing, and shall give members of the public an
22 opportunity to present oral statements, arguments, or contentions for a total
23 period of at least one hour. The board shall consider all relevant matter
24 presented to it before adopting, amending, or repealing a rule which is adopted,
25 or its amendment or repeal, may vary in content from the informative summary
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1 specified in this subsection if the subject matter of the rule, or its amendment
2 or repeal, remains the same and the original notice was written so as to assure
3 that members of the public are reasonably notified of the proposed subject of
4 the board's action in order for them to determine whether their interests could
5 be affected by the board's action on that subject.

6 (c) The board shall in its bylaws establish a procedure for adoption of
7 emergency rules when the adoption of an emergency rule is essential to continue
8 or to reinstate the orderly operation of the corporation's facilities or pro-
9 grams. The requirements of (b) of this section do not apply to the initial
10 adoption of an emergency regulation; however, upon adoption of an emergency
11 regulation, the board shall, within 10 days after adoption, give notice of the
12 adoption in accordance with (b) of this section. No emergency regulation
13 adopted under this subsection remains in effect more than 120 days unless the
14 board complies with (b) of this section during the 120-day period.

15 (d) A rule adopted under this section becomes effective immediately upon
16 its adoption by the board, unless otherwise specifically provided by order of
17 the adoption.
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1 Sec. 42.40.270. ANNUAL AUDIT. The board shall have the finan
2 cial records of the corporation audited annually by an independen
3 certified public accountant experienced in railroad accounting. Th
4 corporation shall make all of its financial records available to a:
5 auditor appointed by the governor or to the legislative audit divisio:
6 for examination. Disclosure to the public by the auditor o
7 legislative audit division of this information is subject to
8 AS 42.40.240 and rules implementing that section.

9 Sec. 42.40.280. PERFORMANCE AUDIT. On a yearly basis the board
10 shall have a performance audit conducted by a recognized railroad
11 management expert on all aspects of the Alaska Railroad operations.

12 ARTICLE 4. POWERS AND DUTIES.

13 Sec. 42.40.300. GENERAL POWERS. In addition to the exercise of
14 other powers authorized by law, the corporation may

- 15 (1) adopt a seal;
- 16 (2) adopt rules;
- 17 (3) adopt bylaws governing the business of the corporation;
- 18 (4) sue and be sued;
- 19 (5) appoint trustees and agents of the corporation and
20 prescribe their powers and duties;
- 21 (6) hire legal counsel to represent the corporation;
- 22 (7) make contracts and execute instruments necessary or
23 convenient in the exercise of its powers and duties;
- 24 (8) acquire by purchase, lease, bequest, devise, gift,
25 exchange, the satisfaction of debts, the foreclosure of mortgages, or
26 otherwise, real or personal property, rights, ~~rights-of-way~~, fran-
27 chises, easements, and other interest in land, including land lying
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1 under water and appropriation of water rights that are located in the
2 state, taking title to the property in the name of the corporation;

3 (9) acquire property by eminent domain in accordance with
4 AS 42.40.430;

5 (10) hold, maintain, use, operate, lease, exchange, donate,
6 improve, convey, alienate, dispose of, or transfer any real or person-
7 al property including facilities and equipment in accordance with the
8 provisions of this Act.

9 (11) contract with and accept transfers, gifts, grants or
10 loans of funds or property from the United States and the state or its
11 political subdivisions, subject to the provisions of federal, state,
12 or local programs;

13 (12) undertake and provide for the management, operation,
14 maintenance, use, and control of all of the properties of the corpo-
15 ration including, the tracks, equipment and other property transferred
16 to it by the federal government or by any person;

17 (13) recommend to the legislature and the governor any tax,
18 financing, or financial arrangement the corporation considers appro-
19 priate for expansion or extension and operation of the Alaska Rail-
20 road;

21 (14) maintain offices and facilities at places it desig-
22 nates;

23 (15) apply to the appropriate agencies of the state, the
24 United States, and a foreign country or other proper agencies for the
25 permits, licenses, or approvals necessary to construct, maintain, and
26 operate railroad transportation services, and to obtain, hold, and
27 reuse the licenses and permits in the same manner as other operating
28 units or persons;

1 (16) prescribe rates to be charged for services provided by
2 the Alaska Railroad consistent with 45 U.S.C. 1201-1214 (Alaska
3 Railroad Transfer Act of 1982);

4 (17) determine the routes, schedules, and types of service
5 to be provided by the Alaska Railroad;

6 (18) enter into contracts, leases, and other agreements with
7 connecting carriers, shippers, and other persons concerning the
8 services, activities, operations, properties and facilities of the
9 railroad, including contracts, leases and other agreements that
10 contain provisions intended to preserve and expand the railroad's
11 traffic base;

12 (19) plan for and undertake expansion of the railroad and
13 railroad activities, including extension of the Alaska Railroad's rail
14 system, and contract with other modes of transportation service con-
15 necting to the railroad's rail services;

16 (20) adopt rules that are designed to safeguard property
17 owned, managed, or transported by the corporation and to protect
18 employees and persons using the corporation's property or services;

19 (21) hire and discharge railroad personnel and determine
20 benefits and other terms and conditions of employment established in
21 accordance with obligations imposed by 45 U.S.C. 1201-1214 (Alaska
22 Railroad Transfer Act of 1982);

23 (22) assume and satisfy liabilities of the United States or
24 its agencies as provided by the federal transfer legislation and the
25 closing report or its substantive equivalent as accepted by the legis-
26 lature;

1 (23) maintain a security force to enforce state law and the
2 corporations rules with respect to violations that occur on or to
3 property owned, managed or transported by the corporation;

4 (24) borrow money and issue its bonds or notes and provide
5 for and secure their payment, provide for the rights of their holders
6 and purchase, hold, or dispose of its bonds or notes;

7 (25) secure the payment of its obligations by pledge or
8 mortgage or other lien on its contracts, revenues, income, or proper-
9 ty;

10 (26) consent to the modification of the rate of interest,
11 time of payment of an installment of principal or interest, or other
12 term of a loan, contract, or agreement to which the corporation is a
13 party;

14 (27) include in any borrowing the amounts necessary to
15 establish reasonable reserves and pay financing charges and interest
16 on the obligations for a reasonable period after which the corporation
17 estimates funds will be otherwise available to pay the interest,
18 consultant, advisory, and legal fees, and other expenses necessary or
19 incident to borrowing;

20 (28) purchase the corporation's bonds at a price not more
21 than the principal amount of them plus interest; and

22 (29) cancel bonds purchased under (28) of this section.

23 (30) do all things necessary, convenient or desirable to
24 carry out the powers and duties expressly granted or necessarily
25 implied in this chapter or under other laws of the state or the laws
26 and regulations of the federal government.

1 **Sec. 42.40.310. LONG-RANGE EXPANSION AND CAPITAL IMPROVEM
2 PLANS. (a) The corporation shall prepare and the board shall adop
3 long-range expansion plan and a capital improvement plan. The lo
4 range expansion plan shall delineate the manner in which the corpor
5 tion intends to accomplish the purposes of this chapter during each
6 the five years after the plan is adopted. The capital improve
7 plan shall present and explain the corporation's anticipated capit
8 improvements for each of the five years after the plan is adopted.

9 (b) The board shall annually review and update the plans r
10 quired under (a) of this section. The board may not contract for th
11 preparation or revision of either the long-range expansion plan or th
12 capital improvement plan, but shall require their preparation an
13 revision by employees of the corporation.

14 (c) The board shall provide copies of its updated plans to th
15 governor and the legislature by December 1 of each year.

16 Sec. 42.40.320. USE OF CORPORATION ASSETS. (a) The corporatio
17 shall apply all money, property, other assets, and credit of the
18 corporation toward activities authorized by this chapter. The corpo
19 ration may not issue shares of stock, pay dividends, make private
20 distributions of assets, make loans to board members or employees, or
21 engage in business for private benefit. The use of money, property,
22 other assets, or credit of the corporation for purposes not authorize
23 by law by persons having the possession or control of it is prohibi
24 ted.

25 (b) Notwithstanding the provisions of this section, the corpo
26 ration may

27 staff language for a two year program plan.

1 (1) defend and indemnify a current or former employee,
2 agent, or board member of the corporation and their successors against
3 all costs, expenses, judgments, and liabilities, including attorney
4 fees, incurred by or imposed upon that person in connection with a
5 civil or criminal action in which the person is involved by affilia-
6 tion with the corporation, if the person acted in good faith on behalf
7 of the corporation and within the scope of official duties or powers;
8 and

9 (2) purchase insurance to protect and hold personally
10 harmless its employees, agents, and board members from an action,
11 claim, or proceeding instituted against these individuals arising out
12 of the performance, purported performance, or failure of performance,
13 in good faith, of duties for, or employment with, the corporation and
14 to hold these individuals harmless from expenses connected with the
15 defense, settlement, or monetary judgments from that action, claim, or
16 proceeding; the purchase of insurance and its policy limits are dis-
17 cretionary with the board and insurance is not considered to be com-
18 pensation to the insured individual.

19 ARTICLE 5. RAIL PROPERTIES.

20 Sec. 42.40.400. LAND. (a) All land among the rail properties
21 transferred under 45 U.S.C. 1201-1214 (Alaska Railroad Transfer
22 Act of 1982) or otherwise acquired by the corporation is under the
23 control of the corporation. All lands transferred or acquired shall
24 be designated as follows

25 (1) railroad rights-of-way or easements transferred under
26 the Federal Act of October 1980, 96 Stat. 2324, and railroad utility corridors;

1 (2) All other real property transferred under the
2 Transfer Act, or otherwise acquired, are rail lands.

3 (b) Railroad utility corridors shall be of a width at least
4 100 feet on both sides of the centerline of the extended main or
5 branch line, or may be of lesser width only if the adjoining land is
6 not rail property, and may be surveyed by the metes and bounds method;
7 and

8 (c) The corporation may not sell land within the railroad
9 corridor. However, the corporation may lease, grant easements or
10 permits, or otherwise authorize use of portions of the railroad uti-
11 lity corridor but only for transportation, communication, and trans-
12 mission purposes and for support functions associated with such
13 purposes.

14 (d) The corporation may lease, grant easements or permits,
15 or otherwise authorize use of portions of rail lands for other
16 services including but not limited to transportation, communication,
17 and transmission purposes and for support function associated with
18 such purposes.

19 Sec. 42.40.410. NOMINATION OF LAND. The board may by rule
20 identify and request federal land to be nominated for state selection
21 for Railroad purposes.

22 Sec. 42.40.420. IDENTIFICATION, CLASSIFICATION, ACQUISITION, AND
23 USE OF STATE LAND FOR RAILROAD PURPOSES. (a) The board by rule may
24 identify and request conveyance of land owned by or tentatively
25 approved for transfer to the state, including tide and submerged land
26 and land not adjacent to a railroad corridor, as necessary or useful
27 for present, or future railroad purposes. The request must include a
28 statement of and justification for the present, or future railroad
29 use. Upon submission of a request for classification and conveyance

1 to the commissioner of natural resources, the commissioner shall
2 temporarily designate and reserve the land identified in the request
3 for railroad purposes and shall temporarily vacate a classification
4 allowing disposal or lease of that land under laws or programs of the
5 state. A temporary designation and vacation is subject to valid
6 existing rights and remains in effect for 180 days.

7 (b) Within 90 days after receiving a request under (a) of this
8 section, the commissioner of natural resources by departmental order
9 shall;

10 (1) designate that land for railroad purposes and, subject
11 to valid existing rights, convey the state's interests to the corpo-
12 ration; or

13 (2) notify the corporation of reasons for refusal to desig-
14 nate the land for railroad purposes.

15 (3) approve in part and deny in part the request for desig-
16 nation under this section and convey as appropriate.

17 (c) In the absence of a reservation to the contrary, a
18 conveyance under (b) of this section vests in the corporation
19 ownership, control of the surface and subsurface, and the exclusive
20 right to extract or use for its purposes, timber and other constructed
21 material, sand, gravel, rock, and the right to tunnel, ditch,
22 recontour, excavate or otherwise use the surface or subsurface for
23 railroad, transportation, transmission, and related purposes without
24 regard to the classification of the resources as part of the surface
25 or subsurface estate.

26 (d) The corporation may reconvey to the state land received
27 under this section that the corporation and the commissioner of natu-
28 ral resources jointly identify as unnecessary or unsuitable for the
corporation's purposes.

1 (e) When physical conditions require that track or other right-
2 of-way fixtures of the corporation be moved from the existing location
3 and relocated on state-owned land adjacent to or in the vicinity of
4 the existing right-of-way, and the chief executive officer determines
5 that relocation is necessary to maintain safe and adequate rail
6 operations, the corporation may effect the relocation with concurrence
7 of the Department of Natural Resources. The relocation must be
8 limited to land adequate to restore or continue safe rail operations
9 at a normal level.

10 *Sec. 42.40.425. LAND USE REGULATION. The board may adopt
11 exclusive regulations governing land use by private parties having
12 interests in or permits for land owned or managed by the corporation.
13 The power conferred by this section is exercised for the common
14 health, safety, and welfare of the public and, to the extent
15 constitutionally permissible, may not be limited by the terms and
16 conditions of leases, contracts, or other transactions with private
17 parties.

18 Sec. 42.40.430. EMINENT DOMAIN AND ACQUISITION OF PROPERTY
19 AND MATERIALS. (a) The corporation may exercise the power of eminent
20 domain under AS 09.55.240 - 09.55.460 to acquire land or an interest
21 in land for lawful purposes consistent with this chapter.

22 (b) The corporation may acquire a fee simple title whenever, in
23 the judgment of the board, ownership of a fee simple is necessary to
24 carry out the state's lawful purposes in condemning property.

25 (c) The corporation may file a declaration of taking in the
26 manner provided for the state under AS 09.55.420.

27 (d) The power of eminent domain conferred under this section
28 includes the power to obtain material, including clay, gravel, sand,

1 timber, or rock for railroad use, the land necessary to obtain the
2 material, and access to the land and material.

3 (e) The corporation may vacate land, or part of it, or rights in
4 land acquired for railroad purposes by executing and filing a deed in
5 the appropriate recording district. Upon filing of the deed, title
6 reverts to the State of Alaska, if compensation has been paid.

7 Sec. 42.40.450. OTHER ASSETS. (a) The corporation may submit
8 applications on its own behalf as an instrumentality of the state for
9 acquisition of interests in federal land available under federal law
10 that will enhance the operations of the corporation and may receive
11 conveyances of all interests in its own name.

12 (b) The corporation, as an agency of the state, may acquire in
13 its own name from the United States under 50 App U.S.C. 1622 et seq
14 (the Surplus Property Act of 1944), 40 U.S.C. 471 et seq as amended
15 (the Federal Property and Administrative Services Act of 1949), or
16 other law, property under the control of a federal department or
17 agency that is useful for the corporation's purposes and may acquire
18 from the Department of Administration property of the state made
19 available under AS 44.71.010 - 44.71.040.

20 Sec. 42.40.460. MUNICIPAL RIGHTS-OF-WAY. Upon request of a
21 municipality the corporation may grant to the municipality a
22 right-of-way in a railroad utility corridor or in land owned by the
23 corporation to be used for a pedestrian walkway or trail. Before
24 granting a right-of-way under this section the board shall require the
25 municipality to execute an agreement in a form approved by the board
26 to

27 (1) hold the corporation harmless and indemnify the
28 corporation for any use made of the right-of-way including but not
29 limited to

1 (a) defending the corporation in any cause of action brought
2 against the railroad as a result of such use,

3 (b) indemnifying the corporation for the amount of any judgement
4 rendered against the railroad including prejudgement interest, costs,
5 and attorney's fees; and

6 (2) vacate the right-of-way upon request of the corporation
7 if the right-of-way interferes with expansion or replacement of rail-
8 road facilities.

9 ARTICLE 6. FINANCIAL PROVISIONS.

10 Sec. 42.40.500. LIMITATION OF LIABILITY. A liability in-
11 curred by the corporation shall be satisfied exclusively from the
12 assets or revenue of the corporation and no creditor or other person
13 has a right of action against the state because of a debt, obligation,
14 or liability of the corporation.

15 Sec. 42.40.520. FIDELITY BOND. The corporation shall obtain a
16 fidelity bond in an amount determined by the board for its members and
17 any officer responsible for accounts and finances. A bond must be in
18 effect during the entire tenure in office of the bonded person.

19 Sec. 42.40.530. INSURANCE. (a) The corporation shall protect
20 its assets, services, and personnel by insurance, including certain
21 self-insured retentions.

22 (b) The corporation shall also maintain Casualty, Property,
23 Business Interruption, Marine, Boiler and Machinery, Pollution
24 Liability, and Miscellaneous Insurances in amounts reasonably
25 calculated to cover potential claims for bodily injury, death or
26 disability, consequential and property damage that may arise or be
27 related to its operations and activities, including the liabilities of
28 the State.

1 (c) The Corporation may contract with the Department of
2 Administration, Division of Risk Management for the provision of
3 all or part of the requirements in subsections (a) and (b).

4 Sec. 42.40.540. CLAIMS. (a) All claims and lawsuits
5 involving activities of the railroad, including suits in contract,
6 quasi-contract, or tort, shall be brought against the corporation, and
7 not against the state.

8 (b) In any claim or other legal action against the corporation,
9 including actions involving the expansion, extension and construction
10 of the railroad, in which the corporation is the prevailing party,
11 whether or not the action is considered to be a public interest case,
12 it is not an abuse of discretion for a court to award full costs and
13 attorney fees and for the losses to the corporation that are directly
14 attributable to the maintenance of that action.

15 (c) For the purposes of actionable claims, undertakings, pay-
16 ments of judgments, execution, interest, punitive damages, statutes of
17 limitations, bonds, costs, and similar matters related to the pres-
18 entation and prosecution of claims by and against the corporation, the
19 corporation and its board members and employees enjoy the same rights,
20 privileges, and immunities as the state and state officers.

21 (d) Claims against the corporation are not subject to the
22 provisions of AS 44.77.010 - 44.77.070 regarding claims against the
23 state.

24 (e) The corporation is not subject to the provisions of AS 44.-
25 80.010, regarding the state as a party to an action.

26 Sec. 42.40.550. REVENUE. Revenue generated by or appropriated
27 to the corporation shall be retained and managed by the corporation
28 for railroad and related purposes as required by 45 U.S.C. 1207(a)(5)
29 (Alaska Railroad Transfer Act of 1982).

1 *Sec. 42.40.560. APPROPRIATIONS. The corporation may request,
2 with the concurrence of the governor, a direct appropriation or grant
3 from the legislature to assist in carrying out the provisions of
4 AS 42.40.300 and 42.40.310.

5 Sec. 42.40.570. BONDS AND NOTES. (a) The corporation by reso-
6 lution may issue bonds and bond anticipation notes to provide money to
7 carry out its purposes.

8 (b) The principal and interest on bonds or notes of the corpo-
9 ration is payable from corporation money or assets. Bonds or notes
10 may be additionally secured by a pledge of a grant or contribution
11 from the federal government or a corporation, association, institution
12 or person, or a pledge of money, income, or revenue of the corporation
13 from any source.

14 (c) Bond anticipation notes may be payable from the proceeds of
15 the sale of bonds or other bond anticipation notes, or, if bond or
16 bond anticipation note proceeds are not available, from other money or
17 assets of the corporation.

18 (d) Bonds or bond anticipation notes may be issued in one
19 or more series and shall, as provided by the resolution of the
20 board,

21 (1) be dated;

22 (2) bear interest at a required rate or rates per year or
23 within a maximum rate;

24 (3) be in a required denomination;

25 (4) be in a coupon or registered form;

26 (5) carry conversion or registration provisions;

27 (6) have a required rank or priority;

28 (7) be executed in the required manner and form;

29 *Problem - future analysis

1 (8) be payable as required from the sources, in the medium
2 of payment, and place or places inside or outside the state;

3 (9) be subject to authentication by a trustee or fiscal
4 agent; and

5 (10) be subject to terms of redemption with or without
6 premium.

7 (e) Bonds or bond anticipation notes may be sold in the manner,
8 on the terms, and at the price the board determines. Bond anticipa-
9 tion notes shall mature at the time or times determined by the board.
10 Bonds shall mature at the time, not exceeding 50 years from their
11 date, determined by the board.

12 (f) Bond or bond anticipation note proceeds may not be dedicated
13 to activities other than those the board reasonably determines to be
14 specifically related to the purposes for which the instruments are
15 issued.

16 (1) pledge all or part of its revenue to which its right
17 then exists or may thereafter exist, the money derived from the reve-
18 nue, and the proceeds of its bonds or notes;

19 (2) covenant against pledging all or part of its revenue,
20 or against permitting or suffering a lien on its revenue or property;

21 (3) covenant as to establishment of reserves or sinking
22 funds and provide for, regulate, and dispose of the reserves or sink-
23 ing funds;

24 (4) covenant regarding limitations on a right to sell or
25 otherwise dispose of property of any kind;

26 (5) covenant as to bonds and notes to be issued, their limi-
27 tations, terms and conditions, the custody, application and dispo-
28 sition of the proceeds of the bonds and notes;

29 (6) covenant as to the issuance of additional bonds or notes,

1 or limitations on the issuance of additional bonds or notes, and the
2 incurring of other debts;

3 (7) covenant as to the payment of the principal of or interest
4 on the bonds or notes, the sources and methods of payment, the rank or
5 priority of the bonds or notes with respect to a lien or security, or
6 the acceleration of the maturity of the bonds or notes;

7 (8) . provide for the replacement of lost, stolen, destroyed or
8 mutilated bonds or notes;

9 (9) covenant against extending the time for the payment of
10 bonds or notes, or interest on the bonds or notes;

11 (10) covenant as to the redemption of bonds or notes and privi-
12 leges of their exchange for other bonds or notes of the corporation;

13 (11) covenant to create or authorize the creation of special
14 funds of money to be held in pledge or otherwise for operating ex-
15 penses, payment or redemption of bonds or notes, reserves or other
16 purposes, and as to the use and disposition of the money held in the
17 funds;

18 (12) establish the procedure by which the terms of a contract
19 or covenant with or for the benefit of the holders of bonds or notes
20 may be amended or abrogated, the amount of bonds or notes the holders
21 of which must consent to amendment or abrogation, and the manner in
22 which the consent may be given;

23 (13) covenant as to the custody of any of its properties or
24 investments, their safekeeping and insurance, and the use and disposi-
25 tion of insurance money;

26 (14) vest in a trustee or trustees inside or outside the state
27 property, rights, powers and duties in trust as the corporation may
28 determine that may include any or all of the rights, powers and duties
29 of a trustee appointed by the holders of bonds or notes of the corpo-

1 ration, and to limit or abrogate the rights of the holders of the
2 bonds or notes of the corporation to appoint a trustee under this
3 chapter or limit the rights, powers and duties of the trustee;

4 (15) pay the costs or expenses incident to the enforcement of
5 the bonds or notes, of the provisions of the resolution, or of a
6 covenant or agreement of the corporation with the holders of its bonds
7 or notes;

8 (16) agree with a corporation trustee, that may be a trust
9 company or bank having the powers of a trust company inside or outside
10 the state, as to the pledging or assigning of revenue or funds that or
11 in which the corporation has a right or interest; the agreement may
12 provide for other rights and remedies exercisable by the trustee for
13 the protection of the holders of bonds or notes of the corporation and
14 not otherwise in violation of law, and may provide for the restriction
15 of the rights of an individual holder of bonds or notes of the corpo-
16 ration;

17 (17) appoint and provide for the duties and obligations of a
18 paying agent or other fiduciary inside or outside the state;

19 (18) limit the rights of the holders of bonds or notes of the
20 corporation to enforce a pledge or covenant securing the bonds or
21 notes; and

22 (19) make covenants other than and in addition to the covenants
23 expressly authorized in this section, of like or different character,
24 and make covenants to do or refrain from doing acts in order to better
25 secure bonds or notes or that, in the absolute discretion of the
26 board, will tend to make bonds or notes more marketable.

27 Sec. 42.40.580. INTERIM RECEIPTS, TEMPORARY BONDS, AND TEMPORARY
28 BOND ANTICIPATION NOTES. Before the preparation of definitive bonds
29 or bond anticipation notes, the corporation may issue interim receipts

1 or temporary bonds or bond anticipation notes, with or without cou-
2 pons, exchangeable for bonds or bond anticipation notes when these
3 definitive bonds or bond anticipation notes have been executed and are
4 available for delivery.

5 Sec. 42.40.590. VALIDITY OF SIGNATURES. If an officer whose
6 signature or a facsimile of whose signature appears on bonds, notes,
7 or coupons attached to them ceases to be an officer before the de-
8 livery of the bond, note, or coupon, the signature or facsimile is
9 valid the same as if the person had remained in office until delivery.

10 Sec. 42.40.600. INDEPENDENT FINANCIAL ADVISOR. In negotiating
11 the private sale of bonds or bond anticipation notes to an under-
12 writer, the board shall retain a financial advisor who is independent
13 from the underwriter.

14 Sec. 42.40.610. VALIDITY OF PLEDGE. (a) The pledge of assets
15 or revenue of the corporation the payment of the principal or
16 interest on bonds or notes of the corporation is valid and binding
17 from the time the pledge is made and the assets or revenue are immedi-
18 ately subject to the lien of the pledge without physical delivery or
19 further act. The lien of a pledge is valid and binding against all
20 parties having claims of any kind against the corporation, irrespec-
21 tive of whether those parties have notice of the lien of the pledge.

22 (b) Nothing in this section prohibits the corporation from
23 selling assets subject to a pledge, except that a sale may be re-
24 stricted by the trust agreement or resolution providing for the issu-
25 ance of the bonds or notes.

26 Sec. 42.40.620. REMEDIES. A holder of bonds or notes issued
27 under this chapter or of coupons attached to them, and a trustee under
28 a trust agreement or resolution authorizing the issuance of the bonds
29

1 or notes, except as restricted by a trust agreement or resolution,
2 either at law or in equity, may

3 (1) enforce all rights granted under this chapter, the trust
4 agreement or resolution, or any other contract executed by the corpo-
5 ration under this chapter; and

6 (2) compel the performance of all duties of the corporation
7 required by this chapter or by the trust agreement or resolution.

8 Sec. 42.40.630. NEGOTIABLE INSTRUMENTS. Bonds and notes issued
9 under this chapter and interest coupons attached to them are nego-
10 tiable instruments under the laws of this state, subject only to
11 applicable provisions for registration.

12 Sec. 42.40.640. BONDS AND NOTES ELIGIBLE FOR INVESTMENT. Bonds
13 and notes issued under this chapter are securities in which all public
14 officers and public bodies of the state and its political subdivi-
15 sions, all insurance companies, trust companies, banking associations,
16 investment companies, executors, administrators, trustees and other
17 fiduciaries may properly and legally invest funds, including capital
18 in their control or belonging to them. These bonds and notes may be
19 deposited with a state or municipal officer of an agency or political
20 subdivision of the state for any purpose for which the deposit of
21 bonds or notes of the state is authorized by law.

22 Sec. 42.40.650. REFUNDING BONDS. (a) The corporation may
23 provide for the issuance of refunding bonds for the purpose of refund-
24 ing bonds then outstanding that have been issued under this chapter,
25 including the payment of a redemption premium on them and interest
26 that accrues to the date of redemption of the bonds. Refunding bonds
27 shall be issued in accordance with provisions of this chapter that
28 relate to the issuance of bonds to the extent those provisions are
29 appropriate.

1 (b) Refunding bonds may be sold or exchanged for outstanding
2 bonds issued under this chapter and the proceeds may be applied to the
3 purchase, redemption or payment of the outstanding bonds in addition
4 to other authorized purposes. Pending the application of the proceeds
5 of refunding bonds to the payment of the principal, accrued interest
6 and redemption premium on the bonds being refunded, and, if permitted
7 in the resolution authorizing the issuance of the refunding bonds or
8 in the trust agreement securing them, to the payment of interest on
9 the refunding bonds and expenses in connection with the refunding, the
10 proceeds may be invested in direct obligations of the United States or
11 obligations the principal of and the interest on which are uncon-
12 ditionally guaranteed by the United States that mature or may be re-
13 deemed not later than the date the proceeds of the refunding bonds,
14 together with the interest accruing on them, will be required for the
15 purposes intended.

16 Sec. 42.40.660. CREDIT OF STATE NOT PLEDGED. (a) The state and
17 its political subdivisions are not liable for the debts of the corpo-
18 ration. Bonds and notes issued under this chapter are payable solely
19 from the revenue or assets of the corporation and do not constitute a

20 (1) debt, liability, or obligation of the state or of a
21 political subdivision of the state; or

22 (2) pledge of the faith and credit of the state or of a
23 political subdivision of the state.

24 (b) The corporation may not pledge the credit or the taxing
25 power of the state or its political subdivisions. Each bond and note
26 issued under this chapter shall contain on its face a statement that

27 (1) the corporation is not obligated to pay it or the interest
28 on it except from the revenue or assets pledged for it; and

29 (2) neither the faith and credit nor the taxing power of the

1 state or of a political subdivision of the state is pledged to the
2 payment of it.

3 Sec. 42.40.670. OFFICERS NOT LIABLE. An officer or employee of
4 the corporation is not subject to personal liability or accountability
5 because of the execution or issuance of bonds or notes.

6 Sec. 42.40.680. EXEMPTION FROM TAXATION. *(a) The real and
7 personal property of the corporation and its assets, income, and
8 receipts are exempt from all taxes and special assessments of the
9 state or a political subdivision of the state.

10 (b) This section does not affect or limit an exemption from
11 license fees, property taxes, or excise, income or other taxes, pro-
12 vided under any other law, nor does it create a tax exemption with
13 respect to the interest of any business enterprise or other person,
14 other than the corporation.

15 (c) The exercise of the powers granted by this chapter shall
16 be in all respects for the benefit of the people of the state, for
17 their well-being and prosperity, and for the improvement of their
18 social and economic conditions. Therefore, the corporation is not
19 required to pay a tax or assessment on property owned by the corpo-
20 ration under the provisions of this chapter or on the income from the
21 property.

22 (d) Bonds and notes issued under this chapter are issued by a
23 body corporate and public of the state and for an essential public and
24 governmental purpose. Therefore, the bonds and notes, the interest
25 and income from them, and all fees, charges, funds, revenue, income
26 and other money pledged or available to pay or secure the payment of
27 the bonds and notes or interest on them, are exempt from taxation
28 except for inheritance, transfer, and estate taxes.

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1 Sec. 42.40.690. REVERSION OF ASSETS. If the corporation ceases
2 to exist, for whatever reason, its assets revert to the state.

3 ARTICLE 7. PERSONNEL AND LABOR RELATIONS.

4 Sec. 42.40.700 PERSONNEL. Employees of the Alaska Railroad are
5 employees of the corporation and not of the state. The provisions of
6 AS 39 do not apply to employees of the corporation.

7 Sec. 42.40.710. COLLECTIVE BARGAINING RIGHTS. (a) The
8 provisions of the Public Employee Relations Act (AS 23.40) do not
9 apply to the corporation or to its employees. However, employees of
10 the corporation, except the chief executive official and other execu-
11 tive officials appointed by the chief executive official, may self
12 organize and form, join, or assist an organization to engage in col-
13 lective bargaining with respect to wages, hours and other terms and
14 conditions of employment.

15 (b) The collective bargaining agreements between the
16 corporation and its employees shall remain in effect consistent
17 with 45 U.S.C. 1206 (Alaska Railroad Transfer Act of 1982).

18 Sec. 42.40.720. AGREEMENT. (a) The Department of Administra-
19 tion shall participate in the negotiations between the corporation and
20 an employee organization. The corporation may not enter into a col-
21 lective bargaining agreement concerning wages, hours, or other terms
22 and conditions of employment unless the proposed contract terms are
23 approved by the Department of Administration.

24 (b) An agreement executed between the corporation and an
25 employee organization shall define "grievances." The agreement
26 shall provide for a grievance procedure in which the final step
27 in the procedure is binding arbitration.

28 Sec. 42.40.730. RAILROAD EMPLOYEES LABOR RELATIONS AGENCY.

29 (a) There is established a railroad employees labor relations

1 agency which consists of three members appointed by the governor. One
2 member shall be a member of the labor relations agency (AS 23.40).
3 Members serve at the pleasure of the governor.

4 (b) The railroad labor relations agency shall perform the
5 functions described in AS 23.40.090 -- 23.40.190 to carry out the
6 provisions of the article.

7 (c) Members of the railroad employees labor relations agency
8 receive no compensation for their services, but are entitled to per
9 diem and travel expenses authorized for boards and commissions.

10 Sec. 42.40.740. STRIKES. (a) Employees of the corporation may
11 engage in a strike if a majority of the employees in a collective
12 bargaining unit vote by secret ballot to do so.

13 (b) Notwithstanding the provisions of subsection (a), the
14 employees and the corporation may agree in writing to submit a dispute
15 arising from interpretation or application of a collective bargaining
16 agreement to arbitration.

17 Sec. 42.40.750. POLITICAL ACTIVITIES. (a) Money, assets, or
18 property of the corporation may not be used for political activity.
19 However, board members and employees of the corporation may upon
20 request communicate with and appear before committees of Congress, the
21 state legislature, and municipal governing bodies in connection with
22 matters directly affecting the corporation.

23 *(b) A board member or employee who violates the provisions
24 of this section is personally subject to a civil penalty
25 assessed by a judge of the superior court in an amount not to
26 exceed \$5,000. An action to enforce this section may be brought
27 by any person.

28 ARTICLE 8. GENERAL PROVISIONS.

29 Sec. 42.40.900. APPLICATION OF EXISTING STANDARDS. The Alaska
*Problem - future analysis

1 Railroad Corporation is not subject to the jurisdiction of the Alaska
2 Transportation Commission. The following laws do not apply to the
3 operations of the Alaska Railroad Corporation:

4 (1) AS 19;

5 (2) AS 30.15;

6 (3) AS 35;

7 *(4) AS 37.05;

8 *(5) AS 37.07;

9 (6) AS 37.10.010 - 37.10.060;

10 (7) AS 37.10.085;

11 (8) AS 37.20;

12 (9) AS 37.25;

13 *(10) AS 44.62.040 - 44.62.320.

14 Sec. 42.40.910. CONFLICTING LAWS INAPPLICABLE. If provisions of
15 AS 42.40.010 - 42.40.990 conflict with the provisions of other law,
16 the provisions of AS 42.40.010 - 42.40.990 prevail. Provisions of
17 this Act shall be construed so that they do not conflict with 45
18 U.S.C. 1202 - 1214 (Alaska Railroad Transfer Act of 1982).

19 Sec. 42.40.950. DEFINITIONS. In this chapter,

20 (1) "board" means the board of directors of the Alaska Railroad
21 Corporation;

22 (2) "corporation" means the Alaska Railroad Corporation;

23 (3) "date of transfer" means the date on which the United States
24 Secretary of Transportation delivers the deed of conveyance for the
25 properties of the Alaska Railroad under 45 U.S.C. 1201-1214 (Alaska
26 Railroad Transfer Act of 1982);

27 (4) "employees" means all persons employed by the corporation
28 including executive officials;

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1 *(5) "railroad utility corridor" means a right-of-way for rail-
2 road and related purposes as defined in 45 U.S.C. 1202(11) (Alaska
3 Railroad Transfer Act of 1982).

4 (6) "land" means all interests in real property, including tide
5 and submerged land;

6 (7) "rail properties" means all real and personal property,
7 tangible and intangible, of the corporation as provided in 45 USC
8 1202(10).

9 Sec. 42.40.990. SHORT TITLE. This chapter may be referred to as
10 the Alaska Railroad Corporation Act of 1984.

11 * Sec. 3. AS 42.40.030 is amended to read:

12 Sec. 42.40.030. TERM OF OFFICE: REMOVAL. (a) Except for the
13 commissioner of Commerce and Economic Development, the voting members
14 of the board serve for staggered terms of five years each [, AND SERVE
15 AT THE PLEASURE OF THE GOVERNOR DURING THEIR TERMS].

16 * Sec. 4. AS 42.40.030 is amended by adding a new subsection to
17 read:

18 (b) The governor may, by written notice to the member,
19 remove a member from the board for

20 (1) incapacitation causes by injury or sickness that leaves
21 the member unable to perform duties under this chapter;

22 (2) continued refusal or inability to attend meetings of
23 the board; or

24 (3) conviction of a felony.

25 * Sec. 5. AS 42.40.100(a) is amended to read:

26 (a) The board shall appoint the chief executive officer of
27 the corporation [SUBJECT TO THE APPROVAL BY THE GOVERNOR]. The
28 chief executive officer serves at the pleasure of the board. The

29 *Problem - future analysis

1 board shall fix compensation for the chief executive officer.

2 * Sec. 6. SPECIAL REPORT. The governor shall contract with a
3 private consultant for the preparation of a report on the long-term
4 operations of the railroad that are in the best interest of the state.
5 The report shall be submitted to the governor and the legislature by
6 January 1, 1988. It shall contain specific recommendations on
7 operational alternatives and the transfer of all or part of the rail-
8 road operation to the private sector.

9 * Sec. 7. APPOINTMENT OF FIRST BOARD OF DIRECTORS OF ALASKA
10 RAILROAD CORPORATION. Notwithstanding AS 42.40.030 enacted in Sec. 2
11 of this Act, the terms of the appointed members of the first board of
12 directors of the Alaska Railroad Corporation as follows:

- 13 (1) one shall serve a term of two years;
14 (2) one shall serve a term of three years;
15 (3) two shall serve a term of four years; and
16 (4) two shall serve a term of five years.

17 * Sec. 8. PRE-EXISTING RULES, REGULATIONS AND ORDERS OF THE
18 ALASKA RAILROAD. The Board of Commissioners of the Alaska Railroad
19 Corporation, by resolution, may continue in force for a period of not
20 more than two years after date of transfer all or part of the rules,
21 regulations, and orders of the Alaska Railroad which were in effect
22 one day before the date of transfer and are not inconsistent with this
23 chapter or other state law. All authorities continued in force under
24 this section shall expire on the second anniversary of the date of
25 transfer. The Board of Directors may adopt in its rules, regula-
26 tions, and orders the substance of former federal authorities relating
27 to the Alaska Railroad. This adoption is not considered a continu-
28 ation of the federal authorities if made in compliance with the pro-
29 cedural requirements of this chapter and other applicable law.

1 * Sec. 9. COLLECTIVE BARGAINING AGREEMENT BETWEEN THE ALASKA RAIL-
2 ROAD CORPORATION AND EMPLOYEES. As soon as practicable after transfer
3 of the Alaska Railroad, the Alaska Railroad Corporation and its
4 employees shall adopt collective bargaining agreements that continue
5 the provisions of the agreements in effect between the Alaska Railroad
6 and its employees immediately before transfer of the Alaska Railroad.
7 The collective bargaining agreements between the corporation and its
8 employees shall remain in effect consistent with 45 U.S.C. 1202-1214
9 (Alaska Railroad Transfer Act of 1982).

10 * Sec. 10. Sections 3 - 5 of this Act take effect on the effective
11 date of an amendment to the Constitution of the State of Alaska rela-
12 ting to the Alaska Railroad.

13 * Sec. 11. Sections 1, 2, 6, 7, 8 and 9 of this Act take effect
14 immediately in accordance with AS 01.10.070.(c).

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16 *Problem - future analysis
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