

H B

5 4 3

House Journal 2/15/64

HB 543

The Transportation Committee ... had HOUSE BILL NO. 543 (authorizing acquisition of the Alaska Railroad; authorizing the governor to negotiate the transfer terms; effective date) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 543 (Transportation) (same title) and reports it back as follows: Cato (Chairman), Bettisworth, Flood, McBride, Herrman, Abood, Davis and M.W. Miller recommend do pass; Representative Szymanski recommends do pass "Woo-Woo".

HB 543 was referred to the Finance Committee.

INTRODUCTION OF CITATIONS

The following citations were received:

In Memoriam - Vietnam Casualties
by Representatives Furnace, Barnes,
Hayes and Liaka and Senators Halford
and Kelly

Honoring - Theodore Williams
by Representatives Furnace and Barnes
and Senators Halford and Kelly

In Memoriam - George Beck
by Representative Shultz

Honoring - Northway Girls Basketball
Team
by Representative Shultz

The citations were referred to the Rules Committee for placement on the calendar.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 1/19/84

Page 1 of 2

REQUEST
Bill/Resolution No.: HB 543
Title: Alaska Railroad Acquisition Act

FISCAL DETAIL
Agency Affected: N/A
Program Category Affected: N/A

Sponsor: _____
Requestor: Rules, by request of Governor
Date of Request: 1/18/84
BRU, Program or Subprogram(s) Affected: _____
N/A

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING *	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	22,271.0	-0-	-0-	-0-	-0-
REVENUE *	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	22,271.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	22,271.0	-0-	-0-	-0-	-0-

POSITIONS: *

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL: GENERAL FUND

*This fiscal note only covers the actual purchase price. Specific estimates for these other needs will be presented in subsequent fiscal notes relating to proposed operating entity legislation.

ANALYSIS: Attach a separate page for analysis

Prepared By: Mark S. Hickey, State Railroad Coordinator Phone: 465-3900
Division: Alaska Railroad Transfer Team Date: 1/19/84

Approved by Commissioner: H. Glenzer, Jr. Date: 1/19/84
Agency: Dept. of Transportation & Public Facilities

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

If the State elects to acquire the Alaska Railroad in accordance with the Alaska Railroad Transfer Act of 1982, it must compensate the United States for its fair market value. The Alaska Railroad Transfer Team has determined the valuation of \$22,271,000 performed by the United States Railway Association should be accepted as reasonable.

In addition to the purchase price, the Transfer Team has identified the total liability to the State associated with acquisition of the railroad. Although there are a few unknowns still under investigation, we have determined that under a low-end or "best case" scenario, that approximately \$23.5 million will be needed for additional "start-up costs" to cover the first years of operations. Under a high end or "worst case" scenario, the additional financial exposure to the State from ensuring continued rail operations for the next ten years may run as high as \$47.9 million (in 1983 dollars).

The railroad is an important link in Alaska's transportation network, particularly for the surface movement of bulk commodities. Abandonment of rail service would, at the very least, result in costly impacts to the State's highway system.

The federal government has the authority to dispose of the railroad, and appears committed to doing so. There is no guarantee that service will be continued under another disposition. Nor is there any current evidence of a private sector interest willing to step in and guarantee continued rail services.

Acquisition ensures continuation of essential rail services, gives the State control over the railroad's operations, and preserves all future options regarding its final disposition. It also offers the State an opportunity to restructure the existing organization to obtain greater efficiencies and make the railroad more responsive to our goals.

For these reasons, the Sherrilein Administration has accepted the recommendation of the Transfer Team that the State should proceed with acquisition of the Alaska Railroad. Furthermore, additional discussion with the federal government over compensation terms has led to the conclusion to seek a direct cash acquisition versus more complicated land trades or financing packages.

COMMITTEE REPORT

HOUSE

(9)

FURTHER: FINANCE

1/27/84

Date: 2-15-84

The Committee on TRANSPORTATION has had HB 543

"An Act authorizing the acquisition of the Alaska Railroad; authorizing the governor to negotiate the transfer terms; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 543 (Transportation) same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

[Signature]
CHAIRMAN

Original sponsor: Rules/Governor

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
IN THE HOUSE

BY THE TRANSPORTATION COMMITTEE

CS FOR HOUSE BILL NO. 543 (Transportation)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act authorizing the acquisition of the Alaska Railroad; authorizing the governor to negotiate the transfer terms; and providing for an effective date."

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

* Section 1. ACCEPTANCE OF CERTIFICATION REQUIREMENTS OF ALASKA RAILROAD TRANSFER ACT OF 1982. The state accepts, for itself and any entity that might subsequently be created to operate the Alaska Railroad, the certification requirements under 45 U.S.C. 1201 - 1214 (Alaska Railroad Transfer Act of January 14, 1983). Accordingly, the state agrees to

(1) acquire the Alaska Railroad and accept all rail property of the Alaska Railroad under 45 U.S.C. 1203(a);

(2) operate the Alaska Railroad as a rail carrier in intrastate and interstate commerce;

(3) assume all rights, liabilities, and obligations of the Alaska Railroad existing on the date of transfer to the state, including leases, permits, licenses, contracts, agreements, claims, tariffs, accounts receivable, and accounts payable, except as otherwise provided by 45 U.S.C. 1201 - 1214;

(4) protect the employment interests of the employees of the Alaska Railroad during the two-year period commencing on the date of transfer, as required by 45 U.S.C. 1203(d)(3)(A) and 45 U.S.C. 1206;

(5) protect the employment interests of the officers of the Alaska Railroad as required by 45 U.S.C. 1203(d)(3)(E);

(6) allow representatives of the United States Secretary of

1 Transportation adequate access to employees and records of the Alaska
2 Railroad when needed for the performance of functions related to the period
3 of federal ownership; and

4 *pay now. We will pay (7)* compensate the United States at the value determined by the
5 United States Railway Association under 45 U.S.C. 1204(d).

6 * Sec. 2. (a) The governor may enter into transfer agreements, compen-
7 sation agreements, and any other related agreements with the United States
8 Secretary of Transportation in order to secure certification by the secre-
9 tary that the state has met the requirements of 45 U.S.C. 1203 and in order
10 to secure the transfer of the Alaska Railroad to the state.

11 (b) Transfer of the Alaska Railroad shall not occur until after the
12 effective date of an Act establishing or otherwise providing for an entity
13 to operate the state-owned railroad.

14 * Sec. 3. DEFINITIONS. In this Act, unless the context clearly indi-
15 cates otherwise,

16 (1) "Alaska Railroad" means the agency of the United States
17 Government that is operated by the U.S. Department of Transportation as a
18 rail carrier in Alaska under authority of 43 U.S.C. 975 - 975(g) (Alaska
19 Railroad Act) and 49 U.S.C. 1655(i) (Department of Transportation Act) or,
20 as the context requires, the railroad operated by that agency;

21 (2) "certification requirements" means the conditions under 45
22 U.S.C. 1203 that the United States Secretary of Transportation must certify
23 as having been satisfied by the state before transfer of the Alaska Rail-
24 road to the State of Alaska may occur under 45 U.S.C. 1203(a);

25 (3) "compensate" means payment in full or by credit agreement
26 with cash or pledged funds;

27 (4) "officers of the Alaska Railroad" means the employees occu-
28 pying the following positions at the Alaska Railroad as of the day before
29 the date of transfer to the state: general manager; assistant general

1 manager; assistant to the general manager; chief of administration; and
2 chief counsel.

3 * Sec. 4. This Act takes effect immediately in accordance with AS 01.-
4 10.070(c).
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 26, 1984

The Honorable Joe Hayes
Alaska State House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that will authorize the state to acquire the Alaska Railroad. The bill is required so that the certification process mandated by the Alaska Railroad Transfer Act (ARTA; P.L. 97-468) can be effected. Once this certification process is completed, acquisition of the railroad can occur as soon as practicable.

The bill essentially says that the state agrees to meet the transfer conditions set out in the Transfer Act. A more detailed analysis of the bill follows:

Section 1 says that the state agrees to the transfer conditions set out in the Alaska Railroad Transfer Act. Specifically, these points of agreement are as follows:

- 1) The state agrees to acquire all the rail property of the railroad.
- 2) The state agrees to operate the railroad as a rail carrier in intrastate and interstate commerce.
- 3) The state agrees to assume all rights, liabilities, and obligations of the railroad that exist on the date of transfer.
- 4) The state agrees to protect the employment interests of the railroad employees as required by sec. 604(d)(3)(A)(i) -- (vii) and sec. 607 of ARTA.

- 5) The state agrees to protect the employment interests of the officers of the railroad as required by sec. 604(d)(3)(E) of ARTA.
- 6) The state agrees to allow the Secretary of Transportation access to employees and records of the Alaska Railroad.
- 7) The state agrees to compensate the United States at the appraisal value that was determined by the United States Railway Association.

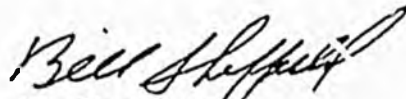
Section 2 authorizes the governor to enter into the various transfer agreements that relate to the points listed above and that will be required in order to secure certification of compliance with the Transfer Act and thus to secure the transfer of the railroad.

Section 3 defines certain terms used in the bill.

Section 4 provides for an immediate effective date.

I urge your favorable action on this bill as soon as possible so that the transfer of the ownership of the Alaska Railroad to the state can become a reality.

Sincerely,



Bill Sheffield
Governor

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: 1/19/84

Page 1 of 2

REQUEST
Bill/Resolution No.: HB 543
Title: Alaska Railroad Acquisition Act

FISCAL DETAIL
Agency Affected: N/A
Program Category Affected: N/A

Sponsor: _____
Requestor: Rules, by request of Governor
Date of Request: 1/18/84

GRU, Program or Subprogram(s) Affected: _____
N/A

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING *						
100 PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	22,271.0	-0-	-0-	-0-	-0-
REVENUE *	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	22,271.0	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	22,271.0	-0-	-0-	-0-	-0-

POSITIONS: *

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL: GENERAL FUND

*This fiscal note only covers the actual purchase price. Specific estimates for these other needs will be presented in subsequent fiscal notes relating to proposed operating entity legislation.

ANALYSIS: Attach a separate page for analysis

Prepared By: Mark S. Hickey, State Railroad Coordinator Phone: 465-3900
Division: Alaska Railroad Transfer Team Date: 1/19/84

Approved by Commissioner: H. Glenzer, Jr. Date: 1/19/84
Agency: Dept. of Transportation & Public Facilities

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

12/1/83

If the State elects to acquire the Alaska Railroad in accordance with the Alaska Railroad Transfer Act of 1982, it must compensate the United States for its fair market value. The Alaska Railroad Transfer Team has determined the valuation of \$22,271,000 performed by the United States Railway Association should be accepted as reasonable.

In addition to the purchase price, the Transfer Team has identified the total liability to the State associated with acquisition of the railroad. Although there are a few unknowns still under investigation, we have determined that under a low-end or "best case" scenario, that approximately \$23.5 million will be needed for additional "start-up costs" to cover the first years of operations. Under a high end or "worst case" scenario, the additional financial exposure to the State from ensuring continued rail operations for the next ten years may run as high as \$47.9 million (in 1983 dollars).

The railroad is an important link in Alaska's transportation network, particularly for the surface movement of bulk commodities. Abandonment of rail service would, at the very least, result in costly impacts to the State's highway system.

The federal government has the authority to dispose of the railroad, and appears committed to doing so. There is no guarantee that service will be continued under another disposition. Nor is there any current evidence of a private sector interest willing to step in and guarantee continued rail services.

Acquisition ensures continuation of essential rail services, gives the State control over the railroad's operations, and preserves all future options regarding its final disposition. It also offers the State an opportunity to restructure the existing organization to obtain greater efficiencies and make the railroad more responsive to our goals.

For these reasons, the Sherrilein Administration has accepted the recommendation of the Transfer Team that the State should proceed with acquisition of the Alaska Railroad. Furthermore, additional discussion with the federal government over compensation terms has lead to the conclusion to seek a direct cash acquisition versus more complicated land trades or financing packages.