

HB

661

# Alaska State Legislature

REPRESENTATIVE  
BETTE CATO  
DISTRICT 6  
BOX 775  
VALDEZ, ALASKA 99686  
(907) 835-4568  
WHILE IN JUNEAU  
POUCH V  
JUNEAU, ALASKA 99811  
(907) 465-4858  
(907) 586-2660

## House of Representatives

COMMITTEES  
CHAIRMAN  
HOUSE TRANSPORTATION  
MEMBER  
HOUSE COMMUNITY AND  
REGIONAL AFFAIRS

### CS By Transportation Changes:

- Adds new section "Sec. 37.15.730 Knik Arm Crossing. Notwithstanding the provisions of AS 37.15.720 the first state toll facility to be constructed is the Knik Arm Crossing near Anchorage."

The provisions of Sec. 720 authorize the state to "...Acquire, construct, equip and maintain toll bridges, highways, roads, crossings and causeways found to be necessary by the commissioner of DOTPF."

- Adds reference to 730 throughout the bill (.730 explained above).
- Transportation CS clean up language throughout the bill. "Crossings" is also added to the definitions of "toll facilities" in the definition section of the bill.

Neil Munson - Speaker's office

- Suggested we look at HB 294 + 295 dealing w/ Knik Arm to help in finding back-up for CS HB 661

- Also John Olson of DOTPF will be coming to talk to committee on bill

COMMITTEE REPORT

HOUSE

4/12

FINANCE

(9)

FURTHER:

2/13/84

Date:

4/12/84

The Committee on TRANSPORTATION has had HE 661

"An Act relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority.,"

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 661 (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 Sep 12.7

MEMBERS SIGNING  
DO PASS

[Signature]

[Signature]

[Signature]

M.W. Miller

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

\_\_\_\_\_

\_\_\_\_\_

M.W. Miller

CHAIRMAN



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

February 13, 1984

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

Dear Representative Hayes:

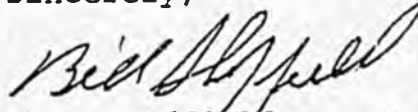
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to toll bridges and highways. This bill addresses both the authority for construction and maintenance of the facilities and their funding through revenue bonding. The bill gives this authority to the Department of Transportation and Public Facilities and avoids unnecessary duplication of personnel in the administration of toll facilities. The language in the bill is based on language in AS 37.15.-410 -- 37.15.550, dealing with international airports revenue bonds.

The bill provides that the acquisition, construction, or equipping of toll facilities may be accomplished through the issuance of revenue bonds. It creates special funds for the accounting and management of proceeds of the bond sales and for the redemption or refunding of the bonds. It further allows the retention, in the toll facilities revenue fund created in AS 37.15.630, of money generated through toll collection. This money will then be used for payment of interest on the bonds and redemption as the bonds mature.

Money received from tolls collected and placed in the revenue fund is also made available for the purposes of paying for normal maintenance and operation of the toll facilities, replacement of the facilities, and other costs associated with the ownership of the facilities. The money would not be available for general appropriation by the legislature but would be protected for use for those purposes set out in AS 37.15.630. This does not violate the "dedicated funds" prohibition contained in art. IX, sec. 7, of the Alaska Constitution inasmuch as the funds are segregated for the purpose of guaranteeing payment of bonds and securing the collateral for the bonds.

This bill provides an opportunity to meet certain needs of the state's highway system in an era when general fund appropriations might not be possible for that important purpose. I urge your prompt consideration and action on this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield  
Governor

7

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: 144

Title: DOT&PF Toll Facilities Financing Bill

Sponsor: Office of the Governor

Requestor: \_\_\_\_\_

Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: DOT&PF  
Program Category Affected: Transportation

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Major Projects Management \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		0 (1)*				
CAPITAL		0 (2)*				
REVENUE		0 (3)*				

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		0 (4)*				
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		0 (5)*				
PART-TIME						
TEMPORARY						

\*See attached notes

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Costs of issuing revenue bonds will be recovered in the bond sale and liquidated from project revenues. There is, therefore, no fiscal impact from the bill. Fiscal impacts from specific projects will be considered if and when legislation is introduced to contribute capital or operating funds to the projects.

ANALYSIS: Attach a separate page for analysis

Prepared By: John B. Olson Phone: 266-1447  
Division: Major Projects Management Date: 2/3/84

Approved by Commissioner: \_\_\_\_\_ Date: 2/3/84  
Agency: DOT&PF

Distribution (by Agency preparing fiscal note):

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

12/1/83

FISCAL NOTE BACKUP

TOLL FACILITIES FINANCING

- (1) The bill will allow DOT&PF to sell revenue bonds to finance toll producing transportation facilities. Costs associated with the bond issues will be recovered with the issue and paid from revenues. Operating and other costs will also be paid from toll revenues. As a result, no net operating costs will accrue from the bill. Any legislated contributions to operating costs for specific facilities, should such contributions be required, would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (2) The bill seeks to construct capital facilities through the sale of revenue bonds. Any legislated contributions to capital, if required, would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (3) Facilities constructed under the bill will be revenue producing. The revenues will contribute to capital and operating costs as explained in notes (1) and (2) above.
- (4) Federal Fund eligibility will be determined on a project by project basis.
- (5) Employee costs and positions arising from facility operation will be paid from project revenues.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date

REQUEST

Bill/Resolution No: HB 661  
 Title: DOT&PF Toll Facilities  
Financing Bill  
 Sponsor: Governor  
 Requestor: House Transportation  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL

Agency Affected: State Bond Committee  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<u>OPERATING</u>						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	63000.0	63000.0	63000.0	63000.0	63000.0
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	63000.0	63000.0	63000.0	63000.0	63000.0
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attached separate page for analysis.

Prepared By: Milt Barker MB  
 Division: Treasury

Phone: 465-2350  
 Date: 2-23-84

Approved by Commissioner: [Signature]  
 Agency: [Signature]

Date: 2/28/84

Distribution (by Agency preparing fiscal note):

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

HB 661  
Fiscal Note Analysis

\$63,000,000 is the estimated annual debt service on the \$500,000,000 revenue bonds authorized in HB 661. This debt service estimate assumes 20 year bonds at 11% interest to be conservative. Bonds may have longer maturities and higher or lower interest rates.

The source of funds for debt service would ordinarily be the toll facilities revenue fund. However until the first project is operating, there will be no revenues. Therefore, for FY 85 at least, the fund source would be the toll facilities construction fund.

(operation/  
expenses)

tions for operating expenses of the legislature, and would allow the Executive Director of the Legislative Affairs Agency to pay those expenses through the Department of Administration by requisition. Funds would have to be disbursed on properly drawn vouchers signed by a certifying officer of the legislature appointed by the Executive Director. Duplicate copies of each voucher would have to be sent to the Department of Administration within 15 days after the end of each calendar month.

Redefines "state agency", "agency", "department" or similar terms under the Fiscal Procedures Act by stating that the term does not include the legislature.

Provides Act takes effect July 1, 1984.

State Bond  
Committee  
(members/  
meetings/  
duties/staff)

HOUSE BILL NO. 609, by Reps. Uehling, Hayes, Adams, Abood, Bettisworth, Fuller, Goll, Lindauer, Ringstad and Shultz. Under this bill the State Bond Committee would function within the Department of Revenue (currently functions independently), and adds to its membership the Commissioner of Community and Regional Affairs and a member of the board of directors of a public corporation which is an instrumentality of the state authorized to issue bonds. The board member would be appointed by and serve at the pleasure of the Governor. The Commissioner of Revenue would become the chairman of the State Bond Committee (currently the Commissioner of Commerce and Economic Development is the chair).

Would allow the committee to meet and transact business by electronic media if proper notice is given--states that 24 hours or more is adequate for a meeting of the committee at which the issuance of bonds is authorized), participants and members of the

INTRODUCTION OF BILLS (House)

HB 609. (cont'd)

public can hear and have the same rights to participate as if the meetings were conducted in person, and if copies of pertinent information is available.

Would require the committee to prepare and submit an annual report to the governor and legislature before January 31 of each year. ". . .The report must show (1) all outstanding debt of debt issuing entities of the state; (2) the anticipated impact on the finances and credit of the state, including the effect on long-term capacity and creditworthiness resulting from that debt; (3) which long-term debt is tax supported and which is supported only by revenues attributable to the project being financed by the debt; (4) all long-term lease obligations of the state; (5) the volume of short-term debt issued and retired during the year by debt issuing entities of the state; and (6) specific identification of each issue for which the state has pledged some form of indirect support for the debt including any moral obligation of the state to support the debt. . . ."

Also requires the committee to:

--require that true interest costs be the basis for determining the lowest bid on debt issued by debt issuing entities of the state;

--develop written informational guidelines concerning management of all debt by each debt issuing entity of the state, including recommended level of debt, structuring of debt offerings, and repayment schedule;

--require that a person who provides financial programming or marketing assistance in connection with the issuance of debt of debt issuing entities of the state shall be compensated for services on a determined fee basis that may not be based on the amount of the debt issued;

--require the debt issuing entities of the state to prepare and submit to the committee by January 15 of each year a calendar of all debt proposed to be issued showing the amount and type of the debt and the month in which issuance is proposed.

Would allow the State Bond Committee to appoint an executive director who may, with approval of the Committee, select and employ additional staff as necessary. Employees of the Committee would be in the partially exempt service under the State Personnel Act.

Provides Act takes effect immediately.

Construction  
Contractors  
(Board of  
Builders)

HOUSE BILL NO. 610, by Rep. Furnace. Would establish the Board of Builders under AS 08.18 (Construction Contractors). The Board would be responsible for requesting the Department of Commerce & Economic Development to investigate the practices of a contractor or a person who appears to be engaged in contracting. The Board would be responsible for holding disciplinary hearings, and if it finds that a person has violated state law or regulation,

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 11, 1983

SUBJECT: Legislators serving on the Alaska Toll Bridge  
and Causeway Authority

TO: Representative Bette Cato  
Chairman, House Transportation Committee

FROM: Billy G. Berrier *BGB*  
Director  
Division of Legal Services

You have asked whether legislators are constitutionally prohibited from serving on the Alaska Toll Bridge and Causeway Authority under HB 295. In my opinion they would be prohibited from so serving.

Two questions arise relating to the constitutionality of that provision. The first is whether the position is an office or position of profit which a legislator is prohibited from holding under section 5 of Article II of the Constitution of the State of Alaska. The second is whether the Authority exercises functions which are of such an executive nature that appointment would constitute a violation of the constitutional doctrine of separation of powers.

Section 5 of Article II reads:

Section 5. No legislator may hold any other office or position of profit under the United States or the State. During the term for which elected and for one year thereafter, no legislator may be nominated, elected, or appointed to any other office or position of profit which has been created, or the salary or emoluments of which have been increased, while he was a member. This section shall not prevent any person from seeking or holding the office of governor, secretary of state, or member of Congress. This section shall not apply to employment by or election to a constitutional convention.

This provision has been considered by our Supreme Court in Begich v. Jefferson, 441 P.2d 27 (Alaska 1968) where the issue was whether legislators were prohibited from holding positions as school teachers under the State of Alaska while serving as legislators, and Warwick v. State ex rel Chance, 548 P.2d 384 (Alaska 1976) concerning the appointment as Commissioner of Administration when less than one year from the end of his term had elapsed.

The purpose of the prohibition was stated in Warwick to be:

The terms of art. II, sec. 5 of the Alaska Constitution are clear and unambiguous. The purpose sought to be accomplished by that section is not merely to prevent an individual legislator from profiting by an action taken by him with bad motives, but to prevent all legislators from being influenced by either conscious or unconscious selfish motives.

Section 6 of Article III of the Constitution provides:

Section 6. The governor shall not hold any other office or position of profit under the United States, the State, or its political subdivisions.

The Court in Begich examined the intended meaning of the term "position of profit" in context of similar prohibitions on the governor and the judiciary saying:

"We have concluded that the trial court correctly determined that the provisions of article II, section 5 of the Alaska constitution are unambiguous. Upon a reading of the constitution as a whole, we deem it of paramount significance that the phrase 'position of profit,' in addition to restricting members of the legislature, has also been employed as a restriction upon members of the judicial council, justices of this court, superior court judges, and the chief executive officer of the State of Alaska. Use of the term 'position of profit' in these articles of Alaska's constitution illuminates the reach the framers of our constitution intended to impart to this term in article II, section 5. This usage, considered with the fact that the constitution itself provides only two exceptions to the scope of 'position of profit,' namely, Article II, section 5's proviso that the section itself be inapplicable 'to employment or

election to a constitutional convention,' and article XII, section 3's provision that 'service in the armed forces of the United States or of the State is not an office or position of profit as the term is used in this constitution,' indicates to us that the framers intended to prohibit members of the legislature, judiciary, judicial council, and the state's chief executive officer from holding any other salaried non-temporary employment under the United States or the State of Alaska.

\* \* \*

"Our study has convinced us that the framer's choice of 'position of profit' in the various sections of the constitution to which we have referred reflects their intent to adopt a term which was broad in scope. This same analysis results in the conclusion that the phrase 'position of profit' was intended to bar members of the legislature, justices of this court, superior court judges, members of the judicial council, and the governor of the State of Alaska from concurrently holding any other salaried, non-temporary employment under the State of Alaska."

In my opinion membership on the authority by legislators or the governor constitutes dual office holding prohibited by the constitution.

Although the doctrine of separation of powers does not explicitly appear in our constitution, our Court has consistently held the doctrine as applicable in Alaska (e.g., Public Defender Agency v. Super. Ct. 3rd Jud. Dist., 534 P.2d 947 (Alaska 1975); and Bradner v. Hammond, 553 P.2d 1 (Alaska 1976).

There is a substantial body of case law holding that legislators may not serve on bodies performing executive functions because of the doctrine of separation of powers. Our Court has held that appointment of executive officers is an executive function saying in Bradner v. Hammond, 553 P.2d 1 (Alaska 1976):

Appellee [Hammond] contends that the appointment of executive officers is an executive function. We find appellee's contention most persuasive. In addition to vesting the executive power of the state in the

governor, Section 16 of Article III provides that "[t]he governor shall be responsible for the faithful execution of the laws." In view of the responsibilities imposed by Section 16, and the authority granted by Section 1, the governor is necessarily clothed with the power to appoint subordinate executive officers to aid him in carrying out the laws of Alaska. Thus we conclude that the appointment of executive officers is an executive function; for without such a power, the responsibility for executing executive duties would be diffused and the goal of separation of branches of government, avoiding too great a concentration of power in one branch, would be defeated.

The United States Supreme Court dealt with the separation of powers question in Buckley v. Valeo, 424 U.S. 1 (1976) which concerned the regulations and the constitutional status of the Federal Election Campaign Act's regulation of federal election campaigns. Among the questions considered was the constitutionality of the appointment of the members of the Federal Election Commission. The committee consisted of six members, four of whom were appointed by Congress.

The Court examined the powers of the commission and found the commission, in addition to record keeping, disclosure and investigative functions, had extensive rule-making and adjudication powers. It also found the commission's enforcement power is "both direct and wide ranging."

The Court stated:

Congress viewed these broad powers as essential to effective and impartial administration of the entire substantive framework of the Act. Yet each of these functions also represents the performance of a significant governmental duty exercised pursuant to a public law. While the President may not insist that such functions be delegated to an appointee of his removable at will, Humphrey's Executor v. United States, *supra*, none of them operates merely in aid of congressional authority to legislate or is sufficiently removed from the administration and enforcement of public law to allow it to be performed by the present Commission. These administrative functions may therefore be exercised only by persons who are "Officers of the United States".

The Court quoted from Myers v. United States, 272 U.S. 52 (1926). In that case the Court upheld the authority of the President to remove an officer he was initially authorized to appoint. The Court said:

The vesting of the executive power in the President was essentially a grant of power to execute the laws. But the President alone and unaided could not execute the laws. He must execute them under a system of subordinate . . . As he is charged specifically to take care that they be faithfully executed, the reasonable implication, even in the absence of express words, was that as part of executive power he should select those who were to act for him under his direction in the execution of laws.

The Court held the appointment requirement to be a violation of the doctrine of separation of powers.

The test to determine whether appointment of legislators to serve on a commission is a violation of the doctrine of separation of powers is whether the powers of the commission are executive or judicial in nature. This requires in each case examination of the powers granted to the commission.

Very broad executive authority is granted under Sec. 44.57.111.

In my opinion legislators are clearly prohibited from serving as officers of the authority as contemplated by this bill under the separation of powers doctrine and both legislators and the governor are prohibited from serving under the respective dual office holding provisions of the constitution.

BGB:ljb  
19/022

INTRODUCTION OF BILLS (House)

Toll Facility  
Revenue Bonds

HOUSE BILL NO. 661, by the Rules Committee by Request of the Governor. Relates to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds. See accompanying letter from the Governor. Does not provide for an effective date (becomes law 90 days after Governor signs bill).

Introduced February 13 and referred to Transportation, Finance.

In his message transmitting the bill, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to toll bridges and highways. This bill addresses both the authority for construction and maintenance of the facilities and their funding through revenue bonding. The bill gives this authority to the Department of Transportation and Public Facilities and avoids unnecessary duplication of personnel in the administration of toll facilities. The language in the bill is based on language in AS 37.15.410 -- 37.15.550, dealing with international airports revenue bonds.

The bill provides that the acquisition, construction, or equipping of toll facilities may be accomplished through the issuance of revenue bonds. It creates special funds for the accounting and management of proceeds of the bond sales and for the redemption or refunding of the bonds. It further allows the retention, in the toll facilities revenue fund created in AS 37.15.630, of money generated through toll collection. This money will then be used for payment of interest on the bonds and redemption as the bonds mature.

Money received from tolls collected and placed in the revenue fund is also made available for the purposes of paying for normal maintenance and operation of the toll facilities, replacement of the facilities, and other costs associated with the ownership of the facilities. The money would not be available for general appropriation by the legislature but would be protected for use for those purposes set out in AS 37.15.630. This does not violate the "dedicated funds" prohibition contained in art. IX, sec. 7, of the Alaska Constitution inasmuch as the funds are segregated for the purpose of guaranteeing payment of bonds and securing the collateral for the bonds.

This bill provides an opportunity to meet certain needs of the state's highway system in an era when general fund appropriations might not be possible for that important purpose. I urge your prompt consideration and action on this measure.

Parole of  
Offenders

HOUSE BILL NO. 662, by the Rules Committee by Request of the Governor. Relates to the parole of offenders. See accompanying letter from the Governor. Provides Act takes effect January 1, 1985.

Introduced February 13 and referred to the Judiciary, Finance.

In his message transmitting the bill, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the administration of parole. The bill updates the statutory authority for parole administration, clarifying apparently conflicting dictates of court decisions, and providing a higher degree of certainty in the parole process. Under the bill, existing AS 33.15, governing parole administration is repealed; re-organized and revised parole administration statutes are placed in new AS 33.14.

Legal

Comparison w/ airport

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If not restrict use  
of \$ to spec. project -  
how can it be  
restricted

Legal analysis

---

Comparison

of int'l airport  
revenue funds

2) Notebook as

---

1) Do comparison of this program w/ airport

---

2) How it is restricted  
How to

---

D R A F T

TO: Billy G. Berrier  
Director  
Legal Services

FROM: Representative Bette Cato  
Chairman  
House Transportation Committee

RE: Committee Substitute for House Bill 661

We have been told by the Department of Transportation that HB 661 is modeled after the revenue bond provisions of the Airport Revenue Fund. Please provide us with a comparison of the proposed program in HB 661 and the International Airports Revenue Funds (AS 37.15.410-.550).

We also would like to know if CSHB 661 language restricts the use of money to special projects or if under this bill the money is discretionary. If the funds are restricted, how are they restricted.

If the funds are discretionary, would you please provide language that would restrict the use of the money for special projects.

Thank you for your assistance on this matter.

Attachment: Draft copy of CSHB 661

Original sponsor: Rules/Governor

IN THE HOUSE

BY THE TRANSPORTATION COMMITTEE

CS FOR HOUSE BILL NO. 661 (Transportation)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act authorizing the construction of the Knik Arm Crossing and relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority."

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

\* Section 1. AS 37.15 is amended by adding new sections to read:

ARTICLE 4. TOLL FACILITIES REVENUE BONDS.

Sec. 37.15.610. BOND AUTHORIZATION. For the purpose of providing part or all of the money to be used, with or without any grants or other money that may become available, the issuance and sale of revenue bonds of the state in the total principal sum of not to exceed \$500,000,000 is authorized to acquire, construct, equip, and install the additions, improvements, extensions, and facilities authorized in AS 37.15.720 and 37.15.730. The principal of and interest on these bonds are paid out of and secured by the gross revenues derived by the state from the ownership, use, and operation of the toll facilities, and out of any other revenue or money that the state legislature may provide exclusive of any state tax or license.

→ Sec. 37.15.620. CONSTRUCTION FUND. (a) The toll facilities construction fund is established for deposit of proceeds of the sale of the bonds authorized by AS 37.15.610 and any grant or other money that is legally provided for the same purposes for which the bonds are authorized except for any accrued interest paid on the bonds by the

*Does not  
provide for  
the amount of  
the bonds to  
be sold  
or the rate  
of interest  
to be paid  
on the bonds*

purchaser. The money in the construction fund is used to pay the cost of acquiring, constructing, and equipping facilities authorized in AS 37.15.720 and 37.15.730 and costs incidental to those activities, including costs of the authorization, issuance, and sale of the bonds. To the extent allowed in the bond resolution, money in the construction fund may also be used for the payment of interest on the bonds during the time of actual construction, and for any additional time, not exceeding one year after construction is completed. Money in the construction fund may also be transferred to the bond redemption fund, as permitted by the bond resolution, to establish a reserve for the payment of the principal and interest on the bonds.

(b) The bond resolution may provide for the investment of money in the construction fund as the committee determines. The interest earned upon or any profit derived from the sale of the investment is deposited in the construction fund.

Sec. 37.15.630. REVENUE FUND. (a) The toll facilities revenue fund is established and shall be set apart from all other money of the state. The toll facilities revenue fund is a trust fund for the purposes under AS 37.15.610 - 37.15.760, where all revenue, fees, tolls, charges, and rentals are deposited that are derived by the state from the ownership, lease, use, and operation of the facilities authorized by AS 37.15.720 and 37.15.730. The revenue, fees, tolls, charges, and rentals may not include the proceeds of any state tax or license. The money in the revenue fund may only be used to

(1) pay or secure the payment of the principal of and interest on the toll facilities bonds and principal of and interest on any other revenue bonds issued by authorization of the legislature to provide money to acquire, construct, and equip facilities authorized by AS 37.15.720 and 37.15.730 and to be payable out of the revenue

fund;

(2) pay the normal and necessary costs of maintaining and operating the facilities acquired, constructed, or equipped under AS 37.15.610 - 37.15.760;

(3) pay the costs of renewals, replacements, and extraordinary repairs to facilities acquired, constructed, or equipped under AS 37.15.610 - 37.15.760;

(4) redeem before their fixed maturities any and all revenue bonds issued for the purpose of acquiring, constructing, and equipping facilities authorized by AS 37.15.720 and 37.15.730;

(5) provide money to acquire, construct, and equip necessary additions and improvements to facilities authorized by AS 37.15.720 and 37.15.730; and

(6) provide money to pay any and all other costs relating to the ownership, use, and operation of the facilities.

(b) The investment of money in the revenue fund may be made as the committee determines. The interest earned upon or any profits derived from the sale of an investment under this subsection shall be deposited in the revenue fund.

Sec. 37.15.640. BOND REDEMPTION FUND. The toll facilities revenue bond redemption fund is established for deposit in trust of money for paying and securing the payment of principal of and interest and redemption premium, if any, on bonds and is set apart from all other money of the state. The committee, on behalf of the state, shall obligate the state to set aside and pay into the bond redemption fund from the revenue fund an amount of money sufficient to pay the principal of and interest and redemption premium, if any, on the bonds as the payments become due and, if the committee considers it necessary, to set aside and maintain a reserve for this purpose. The bond

*AS 37.15.640 - resolution requires rental, fuel, other airport charges. be set at a level sufficient to pay for the annual net revenues.*

*annual debt reserve*

redemption fund is drawn upon for the purpose of paying the principal of and interest and redemption premium, if any, on the bonds, and the bonds do not constitute a general obligation of the state.

Sec. 37.15.650. BOND TERMS. (a) The toll facilities bonds are sold in the amounts or series and at the time as determined by the committee. Before selling a series of bonds, the committee shall give notice inviting sealed bids. If satisfactory bids are received, the bonds offered for sale are awarded to the highest responsible bidder. If the committee determines that a bid received is not satisfactory as to price or responsibility of the bidder, the committee may reject the bid received. Bonds, or a series of bonds, may not be sold if the effective interest rate over the life of the bonds exceeds 11 percent per year or that rate of interest that is 125 percent of the rate of the Bond Buyer Index of 20 Municipal Bond Average Yields for the week previous to the date of sale of the bonds, whichever is higher. Interest is payable annually or semiannually.

(b) The bonds mature at the time fixed by the committee. The bonds may be subject to redemption before their fixed maturities as determined by the committee and with the premium fixed by the committee, but a bond may not be subject to redemption before its fixed maturity date unless the right to redeem that bond is expressly mentioned on the face of the bond. The bonds

(1) may be in denominations determined by the committee;

(2) may be issued in coupon form or in fully registered form, and may be registrable as to principal or both principal and interest, all under regulations and conditions the committee provides;

(3) are payable as to principal and interest at the place determined by the committee;

(4) shall be signed on behalf of the state by the governor

and shall be attested to by the lieutenant governor, both of which signatures may be facsimile signatures, and each of the interest coupons attached to them shall be signed by the facsimile signatures of these officials;

(5) shall have the seal of the state impressed, printed, or lithographed on them; and

(6) shall be issued under and subject to the terms, conditions, and covenants, providing for the payment of the principal of and interest on the bonds and the other terms, conditions, covenants, and protective features safeguarding this payment and relating to the maintenance, operation, and improvement of the toll facilities as found necessary by the committee, which covenants may include a provision requiring the setting aside and maintenance of certain reserves to secure the payment of the principal and interest.

(c) If found reasonably necessary, the committee may select a trustee or trustees for the holders of the bonds or any series of the bonds, for the safeguarding and disbursement of any of the money in any of the funds created by AS 37.15.620, 37.15.630, and 37.15.640, or for the duties for authentication, delivery, and registration of the bonds as the committee may determine. The committee shall also fix the rights, duties, powers, and obligations of the trustee or trustees.

(d) In the committee's determination of all of the matters and questions relating to the issuance and sale of the bonds and the fixing of the maturities, terms, conditions, and covenants of the bonds as provided in (a) - (c) of this section, the decisions of the committee shall be those found to be reasonably necessary for the best interests of the state and its inhabitants, and those that will accomplish the most advantageous sale of the bonds, with due regard,

however, (1) to necessary or normal costs of maintenance and operation; (2) to renewals and replacements of and repairs to the toll facilities; (3) to all improvements to toll facilities and property of toll facilities owned, used, operated, or leased in connection with toll facilities; and (4) to the future growth and expansion of all of the facilities and the possibility of additional revenue bond financing for toll facilities purposes. A decision of the committee, as expressed in any bond resolution, is final when any bonds have been issued under the bond resolution.

(e) A bond resolution may provide that the bonds issued contain a recital that they are issued under AS 37.15.610 - 37.15.760, and any bonds containing this recital are conclusively considered to be valid and to have been issued in conformity with AS 37.15.610 - 37.15.760.

(f) The validity of the authorization and issuance of bonds is not affected by any proceeding for the acquisition or construction of the additions, improvements, or facilities for which the bonds have been issued or by any contract in connection with the acquisition or construction.

Sec. 37.15.660. BOND RESOLUTION. The committee is authorized and directed to adopt the bond resolution and prepare all other documents and proceedings necessary for the issuance, sale, and delivery of the bonds or any part or series of them. The bond resolution shall fix the principal amount, denomination, date, maturities, place or places of payment, rights of redemption, if any, terms, form, conditions, and covenants of the bonds or each series of them. The committee shall also determine and provide for the date and manner of sale of the bonds, and shall provide whether the notice of sale is to be published elsewhere in addition to the publication required by AS 37.15.650.

Sec. 37.15.670. ENFORCEMENT BY HOLDER. The holder of any bonds or the trustee for the holders of the bonds or any series of them, may, by appropriate proceedings in the courts of record of the state, compel the transfer, setting aside, and payment of money and the enforcement of all of the terms, conditions, and covenants as required and provided in AS 37.15.610 - 37.15.760 and in the bond resolution.

Sec. 37.15.680. AMOUNTS REQUIRED FOR PAYMENTS. The committee shall, before December 31 of each year, commencing with the year in which the bonds are issued, certify to the commissioner of revenue and the commissioner of transportation and public facilities the amounts required in the next ensuing calendar year by a bond resolution to be paid out of the revenue fund into the bond redemption fund and to be paid into and maintained in any reserve fund or account or any other fund or account created by a bond resolution. The committee shall also certify to the commissioners the last date upon which payments may be made.

Sec. 37.15.690. BOND NEGOTIABILITY. The bonds and the coupons attached to them are fully negotiable instruments under the laws of the state.

Sec. 37.15.700. REFUNDING. (a) The bonds or any part of them may be refunded at or before their maturity by the issuance of refunding revenue bonds of the state if in the opinion of the committee refunding is advantageous to and in the best interest of the state and its inhabitants.

(b) The issuance of refunding bonds need not be authorized by an act of the legislature, and the committee shall adopt the resolution and prepare all other documents and proceedings necessary for the issuance, exchange or sale, and delivery of the bonds. All provisions of AS 37.15.610 - 37.15.760 applicable to revenue bonds are applicable

to the refunding bonds and to the issuance, sale, or exchange of the bonds, except as otherwise provided in this section.

(c) Refunding bonds may be issued in a principal amount sufficient to provide money for the payment of all bonds to be refunded by them, and, in addition, for the payment of all expenses incident to the calling, retiring, or paying of the outstanding bonds, and the issuance of the refunding bonds. These expenses include the difference in amount between the par value of the refunding bonds and any amount less than par for which the refunding bonds are sold, any amount necessary to be made available for the payment of interest on the refunding bonds from the date of sale of them to the date of payment of the bonds to be refunded or to the date upon which the bonds to be refunded will be paid under the call of the bonds or agreement with the holders of them, and the premium, if any, necessary to be paid in order to call or retire the outstanding bonds and the interest accruing on the outstanding bonds to the date of the call or retirement.

Sec. 37.15.710. BONDS AS LEGAL INVESTMENTS. Toll facilities bonds are legal investments for all banks, trust companies, savings banks, savings and loan associations, and other persons carrying on a banking business, all insurance companies and other persons carrying on an insurance business, and all executors, administrators, trustees, and other fiduciaries. The bonds may be accepted as security for deposits of all money of the state and its political subdivisions.

Sec. 37.15.720. STATE TOLL FACILITIES. The state is authorized to acquire, construct, equip, and maintain toll bridges, highways, roads, crossings, and causeways found to be necessary by the commissioner of transportation and public facilities.

Sec. 37.15.730. KNIK ARM CROSSING. Notwithstanding the

provisions of AS 37.15.720 the first state toll facility to be constructed is the Knik Arm Crossing near Anchorage.

Sec. 37.15.740. TOLL FACILITY CHARGES. The commissioner of transportation and public facilities shall fix and collect the fees, charges, tolls, and rentals derived by the state from the ownership, lease, use, and operation of the facilities authorized by AS 37.15.720 and 37.15.730 and improvements of the facilities as will provide revenues sufficient to comply with all of the covenants of the bond resolution.

Sec. 37.15.750. STATUTORY CONSTRUCTION. AS 37.15.610 - 37.15.-760 shall be liberally construed in order to carry out the purposes for which the provisions were enacted, and all existing laws in conflict with AS 37.15.610 - 37.15.760 are superseded as necessary to accomplish the purposes of AS 37.15.610 - 37.15.760.

Sec. 37.15.760. DEFINITIONS. In AS 37.15.610 - 37.15.760, unless the context requires otherwise

(1) "bond redemption fund" means the toll facilities revenue bond redemption fund created by AS 37.15.640, including any accounts that are created in that fund after the effective date of this Act;

(2) "bond resolution" means the resolution authorizing the issuance of bonds, adopted by the committee under AS 37.15.660;

(3) "bonds" means the toll facilities revenue bonds authorized by AS 37.15.610 - 37.15.760;

(4) "committee" means the state bond committee created by AS 37.15.110, or any other committee, body, department, or officer of the state that or who succeeds to the rights, powers, duties, and obligations of the state bond committee by act of the legislature;

(5) "construction fund" means the toll facilities

construction fund created by AS 37.15.620;

(6) "revenue fund" means the toll facilities revenue fund created by AS 37.15.630;

(7) "toll facilities" means highways, roads, bridges, crossings, and causeways upon which tolls, charges, rentals, or other user fees are placed by the commissioner of transportation and public facilities.

\* Sec. 2. AS 19.05.040 is amended to read:

Sec. 19.05.040. POWERS OF DEPARTMENT. The department may

- (1) acquire property;
- (2) exercise the power of eminent domain;
- (3) take immediate possession of real property, or any interest in it under a declaration of taking or by other lawful means;
- (4) acquire rights-of-way for present or future use;
- (5) control access to highways;
- (6) regulate roadside development;
- (7) preserve and maintain the scenic beauty along state highways;
- (8) dispose of property acquired for highway purposes;
- (9) accept and dispose of federal funds or property available for highway construction, maintenance, or equipment;
- (10) enter into contracts or agreements relating to highways with the federal government, municipalities, a political subdivision, or with a foreign government, if the contract is approved by the federal government; [AND]
- (11) establish, levy, and collect tolls, fees, charges, and rentals for the use of state roads, highways, bridges, crossings, and causeways; and
- (12) exercise any other power necessary to carry out the

purpose of AS 19.05 - 19.25.



# **KNIK ARM CROSSING**

**Presentation**  
to the  
**Governor**  
and the  
**Legislature**

**March 1984**

LEGISLATIVE ASSIGNMENT

Highway Crossing of Knik Arm with Connections to Parks & Glenn  
Highways

- Design Criteria
- Environmental Assessment
- Right-of Way Studies
- Location Selection
- Preliminary Design & Cost Estimates

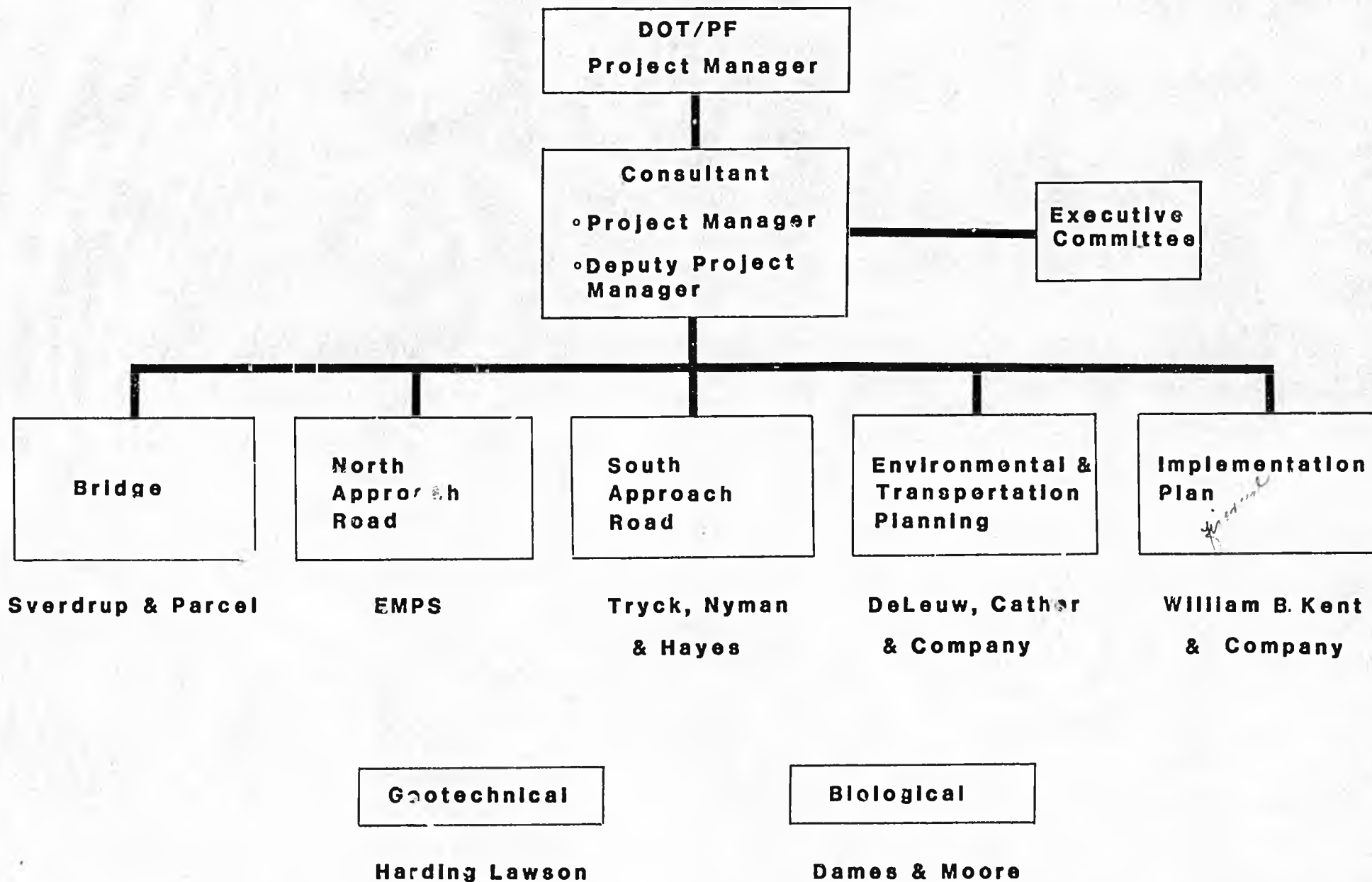
BUDGET

- |                          |               |
|--------------------------|---------------|
| ◦ 1981 Appropriation     | \$5.5 million |
| ◦ Consultant Contract    | \$4.5 million |
| ◦ Balance (January 1984) | \$3.0 million |
| ◦ FY 85 Request          | \$5.4 million |

PROJECT RESOURCES (DOT/PF)

- Total Department Resources
  - Contract Administration & Accounting
  - Planning
  - Environmental Coordination
  - Surveys
  - Right-of Way
  - Utilities
  - Materials & Geology
  - Legislative Liaison
- Director
  - Major Projects Management Division
- Project Manager
  - Leads Department & Consulting Team

# Consultant Resources



AGENCIES

- Steering Committee
  - ADOT/PF
  - Municipality of Anchorage
  - Matanuska-Susitna Borough
  - Military (Air Force, Army, Navy)
  - Alaska Railroad
- Federal Agencies

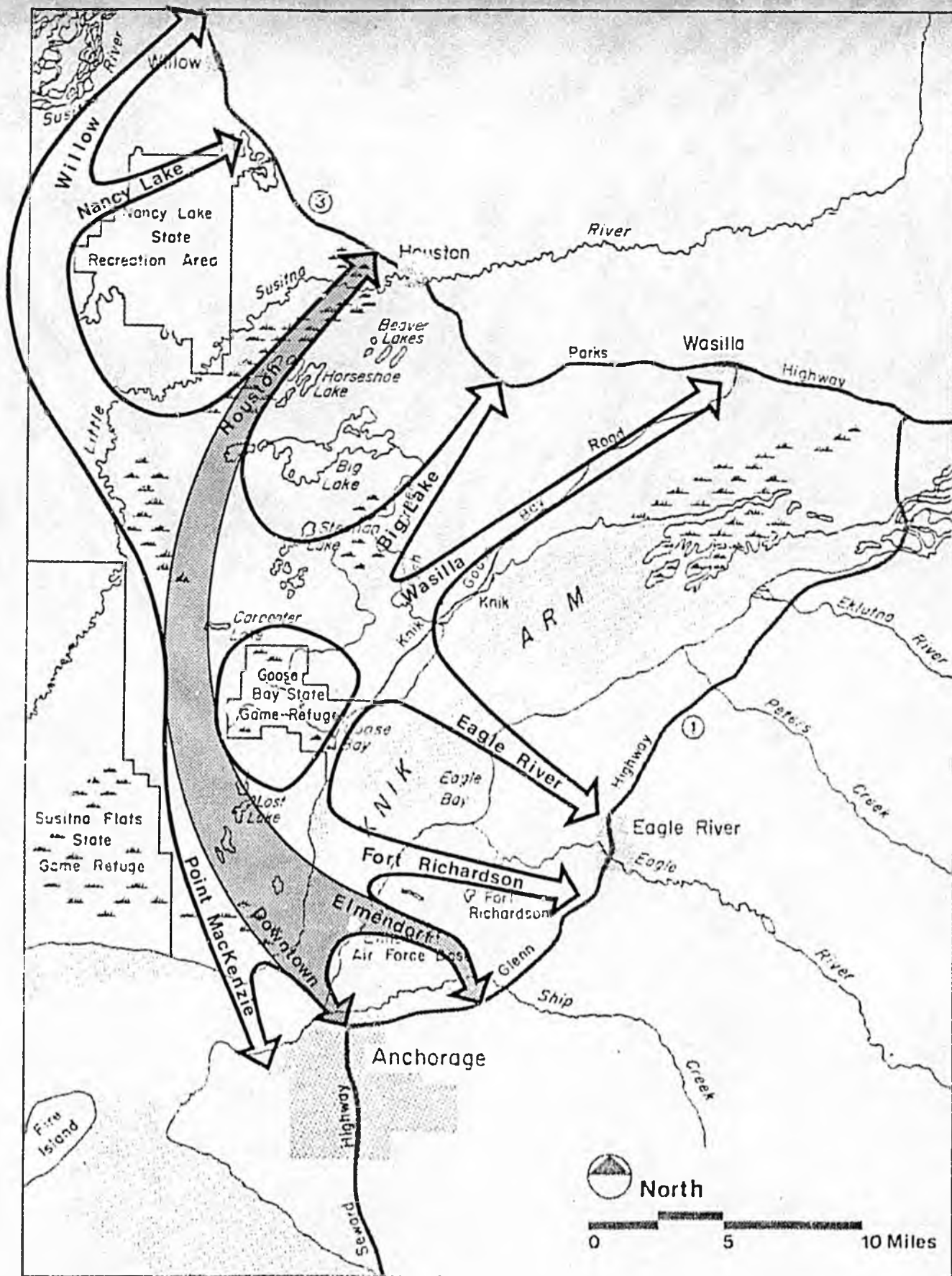

ARR	FHWA	EPA
BLM	DOA	USAF
COE	DOC	USCG
FAA	DOI	USF&W
- State Agencies
  - Dept. of Comm. & Reg. Affairs
  - Dept. of Envir. Conservation
  - Dept. of Fish & Game
  - Dept. of Natural Resources
  - OMB - Div. of Strategic Planning
  - UAA - Inst. of Soc. & Eco. Research

WORK COMPLETED

- Scoping *Public Participation Environmental*
- Economic Feasibility Report
- Corridor Alternatives Analysis - *Final*
- Alignments Definition

WORK UNDERWAY

- Conceptual Design
- Environmental Impact Statement *Site Map*
- Geotechnical Investigations *Site Parameters*
- Implementation Plan *Need Assessment for access plan*
- Right-of-Way Evaluation
- Bid Documents - Crossing *Ab. Bed Rock Assessment*



CROSSING ALTERNATIVES

Downtown Project

- Seward Connector
- Downtown Crossing
- Houston Connector
  - Segment 1
  - Segment 2

Elmendorf Project

- Glenn Connector
- Elmendorf Crossing
- Houston Connector
  - Segment 1
  - Segment 2

NO-CROSSING ALTERNATIVES *EIS Requires not all.*

- No Action Option
- Other Transportation Plans of DOT, AMATS, & Mat-Su
- Transit Option
  - 2 Hovercraft
- Low Capital Option
  - Additional Glenn & Parks Highway Improvements

ALASKA RAILROAD

- Possible for either Downtown or Elmendorf
- Costs to Accomodate Future Rail on Highway Bridge
  - \$50 million to \$100 million *Bridge strong enough to carry RR, 1.5-2.0 bns. From now*
- Railroad Related Activities in Progress
  - Conceptual Design & Cost Estimates
  - Environmental Assessment
  - Right-of-Way Studies
- Railroad Financing
- Separate Bridge - *Concept design for consideration*
- Decision Timing
- Finance/Design/Build RR Crossing
  - Separate Project of Alaska Railroad

ESTIMATED COSTS  
Millions of 1983 Dollars

DOES NOT  
INC. MILITARY  
RELOCATION  
COSTS.

	Downtown Project				Period	Elmendorf Project			
	Design	ROW	Constr.	Total		Design	ROW	Constr.	Total
Anchorage Connector	12.0	2.0	80.0	94.0	2000- 2001	2.1	1.0	14.3	17.3
<i>Bridge</i> Highway Crossing	18.4	1.0	530.3	549.7	1986- 1990	15.0	0.3	358.5	373.8
Mat-Su Connector									
* Segment 1	1.3	0.0	24.5	25.8	1989-	1.3	0.0	24.5	25.8
* Segment 2	1.6	2.3	23.0	27.0	1990	1.6	2.3	23.0	27.0
Total	33.3	5.3	657.8	696.5	1986- 2001	20.0	3.6	420.3	443.9

Note: Does not include cost of strengthening bridge for Alaska Railroad (\$50 to \$100 million).

FINANCING ALTERNATIVES

- Connectors
  - 90% Federal
  - 10% State
  
- Crossing
  - Toll Revenue Bonds
  - Private Venture
  - Land Sales
  - Local Improvement District
  - State Appropriation
  - Combination

For Representative Hayes

Regarding CSHB 661...authorizing construction of Knik Arm Crossing and relating to acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority.

The language in the bill specifies that the Knik Arm Crossing is to be the first toll facility constructed with the proceeds of revenue bonds authorized. How does it preclude use of construction fund for other means of acquiring toll facilities or converting existing state roads, highways, bridges, causeways or crossings to toll facilities?

Does the language in this bill restrict the use of money in special projects or is the money discretionary?

If not restricted, what language could be used to do so?

We have been told that CSHB 661 is based on the international airport revenue bonds but the difference we wonder about is:

The maximum amount of airport bonds that can be sold is \$62.8 million; the resolution authorizing the sale of airport bonds requires rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements.

CSHB 661 authorizes sell of \$500 million in revenue bonds and does not imply that the entire amount will be sold or would be used to construct the Knik Arm crossing.

Thus, the question being that what happens if there is a cash shortage throughout the life of the 20 year bond issue, which option will be taken to cover these cash shortages?

*ROUGH  
ROUGH  
DRAFT*

✓ Anchorage Caucus - Knik Arm Crossing Presentation by John Olson, DOT

Started off with a historical chronology and small amount of philosophy.

1972 study made of Knik Arm Crossing and proposed a bridge crossing that would cost about \$120 million. It pays to remember that when start to talk about the other numbers that are bigger today, but in 1972, \$120 million was a very, very large figure as the numbers are still today.

1984 is much of a narrower focused picture showing Anchorage with its current state of development. If you look and compare here, you will see that the Chugach Mountains on the East, the military reservation, reserved blocks of lands at the airport and other locations of the town, and what we know to be the zoning practices within various areas of the city, shows the city to be very nearly full.

✓ A planning municipality study, shows that within 3 years, 3000 acres of available land is diminished to about 300 or 400. So the northeast quadrant of the city is growing very rapidly, as we know other areas of the city to be growing.

From there we can see that there is alot to be said for the quality of life in Anchorage. As we grow, from the 1972 population to the now doubled from \$120-130 to \$250. In another 10 years, about the time the Knik Arm Crossing is going to be in use, we can see another 50% growth, about 380,000 people. That's a rather large land use imposed on the land everyone is already near full. So quality of life in Anchorage will be enhanced ...Knik Arm Crossing.

The Mat-Su Borough would also anticipate a ...they have their own interest and we're working with them to incorporate them in our studies.

Referred to map and pointed out that from Sheep Creek Channel down to Tudor and out to Lake Otis, you can see the enormous amount of land that's available on the Mat-Su side of the Knik Arm. Too, recognize the central business district proximity to this new land and consider the type of development that would be occurring just on the other side - I believe it will be high value commercial development corresponding to the general population growth that's occurring in this town.

Last item of philosophy is you'll see in some of the right-of-way costs, engineering development cost that I'm showing you. Right-of-way costs now are very small. If we wait another 10 years alot of development will be developing, to put a bridge across at that time will still be expensive. (Remember in 1972 \$120; 1984 something over \$500 million, large numbers) The ROW costs and other ...costs of putting a project in would be quite high. Also if we wait there will, it takes along time to build a bridge like this, there will be continuous development, higher density in Anchorage, and I think that it would probably be harmful for the Anchorage area to wait for that high density and then sell, this area. It happened in an area I'm familiar with in L.A.; The L.A. - Orange County shift was not good generally to L.A. It would have happened a little bit more orderly as I think the finding would indicate

here, both areas have probably been alot better off. So that essentially sets the stage for what I want to work my flip charts.

The Legislative assignment that DOT received was to develop a highway crossing of Knik Arm with Connections to the Parks and Glenn Highways. Realize that this assignment includes both a bridge and highway; we're looking at quite a large number of miles of connecting roads to make access to the bridge, to make a functional utility. So we're looking at both a highway and bridge project.

We are well within the State of the Arts from an engineering stand point for building a bridge, but it is a .... of the art we do have to develop a design criteria for which to base our design on. We're going to be using some federal monies for the approach roads and for other reasons, producing an environmental assessment and impact statement; right-of-way studies and alot of ROW to identify and move on so that it's obtained timely way for the bridge, we want to accelerate and move this schedule as fast as we can. We have done location, selection and preliminary design and cost estimates. This in summary is our scope of work.

We address the scope of work in two ways with our department own resources and with consultant resources. The department is handling the contract administration and planning; planning being the ... to integrate the bridge within the Mat-Su planning area and the Anchorage planning area for the road connections primarily and for other reasons. Surveys, ROW's, the other things that the, where the rubber meets the road on developing a major capital project like this. I'm the Director of the Major Projects Management Division, this provides a single point, accountability, responsibility, authority for the project, that is my job. I have a full time project manager who works with me to lead the in-house and consultant resources.

Consultants, there are a number of them, each with their own speciality and purpose. Working under our project manager and myself, is a Prime Project Manager from Sverdrup and Parcel who has responsibility for design development on the bridge; EMPS, Tryck, Nyman and Hayes have the approach road responsibility; DeLew, Cather, & Co. have responsibility for environmental and transportation planning; Bill Kent & Co., I'll be getting to this in a little awhile, is the financial planner, will be working up an implementation plan, that's very important for the Legislature in the first quarter of next year. We plan to bring that plan to you. Harding Lawson doing alot of geotechnical work that will be completed this summer; and Biological work for the environmental studies and other reasons is Dames & Moore. A conventional day to day man power loading on the project will be about 25-30 people.

QUESTION: Were these contracts out for bidding?

ANSWER: Yes, they were

QUESTION: You referred earlier to legislative assignment, could you give us the reference in statutes I'd like to look up and read that assignment.

ANSWER: I don't have them, let me respond to you, I'll get back to you this afternoon with that.

pluralistic

We have a real good (pluralistic) decision development here. Many agencies influence the way this bridge is developed and its timing.

Some federal agencies, the state agencies, have if not the authority to kill the project, or not to give permits, some of them have that authority, many of them have a prerogative if they will to delay the project. It's our responsibility to try and keep with these agencies, and keep them moving on our schedule. We understand they have other work to do, but we try to like trying for them to accomplish their role, but we have a Steering Committee that has the most involved agencies, Municipality of Anchorage, Mat-Su Borough, Air Force, Army, Navy, Alaska Railroad participate on that Steering Committee. But I've only just written down a few of the acronyms for the various federal agencies that we are working with and the State agencies that appear also. Just by the number of people to keep communications open with when we need something from them, they know it and have time to respond.

We have completed several items of work, a scoping required by the environmental process, also part of the public participation involvement process; an economic feasibility report that shows the project to be quite economic. Economically valuable project. Corridor Alternative Analysis, is a report that I believe all of you have sent a copy of a final corridor alternatives analysis and the alignments definition which narrowed the corridors down from, I'm sure you've seen this octopus drawing; we're looking at essentially one road corridor two bridge corridors and we have those alignments refined. I might point out to you on the strip map, is a part of the alignment that they did in Anchorage, it heads out towards your left over Knik Arm in the downtown crossing alignment....beginning at Sheep Creek ... and ending out at the other side. The second alignment which is the Elmendorf Crossing which would run through Elmendorf Air Force Base. (Referred to a different strip map)

The work we have underway is conception of the design with a bridge, an environment impact assessment statement will be out in late May, and that I guess is important for you people to know that we will be back to give you a presentation on that. Geotechnical Investigations this summer; we don't want to do geotechnical investigations too far in advance of the alignment selection because we want to drill these very expensive holes where we expect the bridge to be located, so those will be done this summer, it's an expensive activity. Implementation planning is what we want to bring back you next session for how to finance and carry forward this project. Right-of-Way Evaluation is in process and we have some preliminary reading on that. Bid Documents for the Crossing will be prepared and we'll be ready to go to the street by the time I'm back here next year.

The budget from our original appropriation is \$5.5 million. Our contracts with our consultant team is a total of about \$4.5 million and our balance in January was \$3 million. Balance in June will be about \$1.9 million and through the summer as we drill the holes and get into the first quarter of next year, all of those funds will be consumed because we will produce what we were assigned to produce in the form of (business? bidding?) documents.

This year there was a Senate appropriation of \$5 million for north and south approach roads and highway matching funds of \$5 million also for a north and south approach roads. I'm sure many of you understand the (distift) difference between the authority that we receive and expend this appropriation so I won't draw that distinction, I'll try to answer questions.

QUESTION: Once that environmental impact statement is released, (late in May) will you come back to us and give us an accelerated road project plan? Expound on it?

ANSWER: Yes

QUESTION: What I'm trying to do is step up the ...What I'm asking, is how much of a time line do you give us that information?

ANSWER: Let me speak to the schedule of the ...and I'll show you what we have to accomplish before the first quarter of next year.

CROSSING ALTERNATIVES are the downtown and Elmendorf project, they include several components, we've broken them into forms because of the very large expense, so that we can schedule and program these expenses or to mitigate the one time chance for them.

(Referring to map) On the downtown project the Seward Connector, the downtown crossing is the bridge from the intersection at almost the water's edge, will be the bridge crossing itself would be defined to begin and runs up to the Spruce interchange on the Mat-Su side. Then segment one of the Mat-Su connector goes ...up to Pt. McKenzie access road. Segment 2 runs from that point up to the Parks Hwy, again to decree our legislative assignment. The Elmendorf project has a Glenn connector which connected with the Glenn Hwy. The crossing which the is the bridge itself and identically the same approach road on the Mat-Su side of the arm.

The environmental impact statement clauses requires that we consider some no crossing alternatives, a no-action option is fundamental, we have to have it in there. It would be essentially continue to construct AMATS, Mat-Su, and DOT plans without the bridge. The transit option would be couple ....which is we certainly .....and a little capital option which would be essential to expand the existing highways as they run around Knik Arm.

QUESTION: The chart shows highway crossing in 1986-1990, what is the highway crossing?

ANSWER: That's the bridge.

QUESTION: Then Anchorage connector 2000-2001, that's

ANSWER: That is east-west viaduct if you will that runs over the Seward Highway, and I'll explain why that is shown in that schedule.

Let me explain right now, we want to identify what is the minimum cost to get a bridge crossing, highway crossing across the Knik Arm. Then, because the first year utilization won't be its ultimate utilization, how long can we defer the connecting road costs until there are needed. I think the key thing to know, is that by 1991 when we open the bridge, we'll certainly not know an awful lot better, what the demand will be for that Seward connector and we want to identify that decision that can be deferred so that they don't overwhelm the project cost.

An important consideration that the bridge crossing is the Alaska Railroad. In the final corridor alternatives analysis report we gave to you indicated the downtown alignment could not receive the railroad crossing causes....that was incorrect. The ...will make that correction.

Both crossings can receive a rail in combination with the highway. It will cost \$50-100 million more to strengthen the bridge so that it would support a railroad crossing. That does not get you the crossing, that just gives you the bridge strong enough to install the railroad later on.

We are carrying along with this process, for the benefit of the legislature to make a determination, the conceptual design cost estimates, environmental assessment, right-of-way studies for a railroad crossing. The financing will be broken out. The concept of a separate bridge will be considered. I think that's because the points in decision timing. We are looking at the bridge or a rail crossing, maybe 15 years from now. \$50-100 million expense now for a bridge that might be used 15-20 years from now is a substantial commitment of funds. We want to make sure that that's identified and broken out and analyzed very carefully.

QUESTION: Could you clarify strengthening the rail? Is that a decision that has to be made now? Or can the design be such that we can add the strengthen components at any time. In other words we have to spend the \$100 million or whatever up-front? Or is that going to be the cost of the additional support which we can add 5 years from now or 10 years from now?

ANSWER: No, it's a decision that this is on the advise of our bridge engineers, it will have to be made when the bridge is released for bid. Consider for example that the bridge on the downtown alignment would probably run down the middle of the bridge. It would come up at a different grade from the highway approaches, more gradual slope and merge with the bridge, it needs to be in the middle, so the piers have to be set farther apart for the east and west traffic lane.

QUESTION: If I may then, when we make the financing plan we have to make that decision at that time with the finance; it's going to roll into the financing package at that time we'll have to make the railroad decision.

QUESTION: Could you provide us at a time that is convenient the cost of such a reinforcement now ....

ANSWER: Well, the railroad says gee we don't know, but we think 15-20 years from now is there input. We will know an awful lot more about the disposition of the railroad after this legislative session, conclusion of next year. We're working with the railroad to develop that. We want to bring to you much more facts than I can present right now. We're not completed with our work. We want to consider, because of the very large expense, the project as a separate project. It can be built with this project. We want to make sure that we identify not add without clarifying clearly to you that \$50-100 million more would be needed. We're going to show that on a different breakout.

QUESTION: There's been a lot of legislation that we've had before that is providing for revenue bonds. And if I understand my revenue bonds, being different from general obligation bonds where the voters must vote, revenue bonds is something we have to deal with as the legislature. If we deal with revenue bonds this legislature and we have your toll bridge concept how does this impact your timing. We may want to pass in this legislature our authority and our bonding mechanism which would put the finances with the financial mechanism into place to do the project. Do you feel that you're sufficiently coordinated with that timing mechanism?

ANSWER: Yes, as a matter of fact, on the CSHB 661, it'll be beneficial to have that legislation pass this session, cause in our implementation we would be dealing with a known mechanism. We're not present to the legislature which I think could be best described as a menu. We're going to make a recommendation, maybe one or two recommendations on how best to finance this. But, it would be very nice to have known to us that we can't have the authority to sell revenue bonds ...toll collection capability.

Let me talk to that financing plan just a minute. The downtown crossing to get the highway across the arm connected into a road system properly, about \$500 million; the Elmendorf is about \$375 million. The Elmendorf crossing, that includes relocating military facilities on Elmendorf (refer to strip map) there's a lot of different things we have to dodge. The military has a lot of secret missions, they're going to be coming back to us with what their relocation costs are, but it could be somewhat more; they could run this cost up considerably. But those are key numbers to keep in mind. About \$550 million for downtown, \$375 million for Elmendorf. That east-west viaduct is \$100 million, that's why we've broken it out separately; it's not essential to the bridge to get into operation and be useful for some time before this bill.

QUESTION: Is the military prepared to give up the ROW across the land? How are we protected against cost overrun? What's our protection, are you talking hard money contract?

ANSWER: The military is not at this time prepared to give that ROW up. They want to do a study, they have their ...consultant on board to do that. The cost overrun protection. Well, when we complete our study and have our bidding documents we will have a conservative cost estimate, our engineers will be preparing that for us. We should be taking a look at the potential for sensitivity in some of those costs. I think

the best encouragement you would have there is if we had an estimate, put it out to bid, the bids will come back, and that bid is a construction bid and there are always ...contingency money, but it should be very close to what we get back to the bid.

Very quickly, and this gets, and I could spend quite a bit of time with this, but again our menu, to the legislature would involve several potential mechanisms. The revenue bonds, private design built finance concept, maybe the sell of some resource to raise money, that's a possibility. Line the local improvement district or portion of the bridge, state appropriation, or combination of these and other mechanisms.

Important chart shows the benefit and cost as they crew to the project. Conservative estimate requires an investment from the State. Our toll revenues can essentially support a certain amount of borrowing. Federal funds are available for the connecting roads. This would speak to Senator Pestinger questions about why move these investments down later on, is essentially so we don't have just an enormous 3-5 year appropriation.

QUESTION: It looks to me like there's about 20,000 acres of land here that in all likelihood would be developed and I don't know if some of this is swamp (alot of it is pretty good) but 20,000 acres ...let's say that the depreciation in value of those 20,000 acres would pay the \$10,000 an acre would that be fair? Is the day the bridge..more than it is now.

ANSWER: (Ward) The day the bridge is done it worths \$10,000 more an acre, yes.

QUESTION: That's \$200 million in net increase of the value of that property.

ANSWER: (Ward) That is one of his planning scenarios that will be presented to the Legislature next year, the land acquisition into the base which the, under the International Airport bonding mechanism, they can accept the land injection or money injection. So that is one of the scenarios that should be coming back in the menu that he is speaking. Where we will not use money we will land which is the same as money, but it will have a land base such as maybe mental health or the U of A does it at present time.

Very quickly responding to that, keep in mind that alot of that land was in State ownership has been claimed by the Mat-Su Borough. The land status is owned by the Mat-Su borough, the value capture which is a term often used for that delta, value depreciation is also owned by Mat-Su because...the land. The State does own some land there, but not as much as you might think.

QUESTION: The ROW corridor that goes all the way up to Houston, that should have equal appreciation in...I'm sure there's alot of State land that's owned ...

ANSWER: That land is more of what we'll be looking at, we can't sell land the State doesn't own. But also, the real appreciation is remember the ....there is going to be on the land ...opposite the downtown development of Anchorage, I think we'll see a Twin City type development package and that will be very high value land. Much more.....

We have a number of activities that have to be completed and we can talk a little bit more in detail when I have a little more time about what those things are, but the conclusion is that we will need authority, probably funding from the Legislature and that's why we're targeting even though we're going to be done a little bit early. We're on schedule and we want to stay that way, but we want to work with the Legislature as we develop some of these ...the EIS, and various other things to be able to respond to questions, and this group is very important to that process, so that when we come back in the next legislative session, we will have some exchange of information, everybody will be reading off the same sheet of music, but we will then have a chance to communicate.

QUESTION: Last year the House passed a bill for the Knik Arm authority, and that was on the advise of the commissioner who said that, at least to the... the department felt no legislation...this has changed now.

ANSWER: The bill CSHB 661 would be our recommendation that that be passed, give DOT the authority to ...and use those tolls to make principal interest payments on revenue bonds.

QUESTION: So it's not the ..concept....

Ward: Speak towards HB 294 and HB 295 which passed the House. Last year speaking to Commissioner Casey and the House felt that we wanted to take this project out of the Department of Transportation and Public Facilities planning and put it into an authority. This apparently was too the Governor came and lobbies along with the Commissioner saying that they did not need legislation to build the Knik Arm Crossing, so these two bills sponsored by Speaker Hayes died in the Senate, or are still in the Senate.

House Bill 661 was introduced this year at the request of the Governor and by Mr. Olsen who has gone through and found that there does need to be some legislation, you can't build large things without the legislature approving them. We found a small oversight on HB 661 and we've corrected that and put a CS in and so that they forgot to put the word Knik Arm in there, that was an oversight and that has been taken care of. So the CS now reflects....I told the Governor about the oversight and he looked very astonished that it had fallen out through the cracks like that, so here I am carrying his water once again...it is in there now it's in the CS and it was an oversight and incidentally there is no objection from the Department of Transportation and Public Facilities for it being placed in there. They wanted a framework one and we, some of the people involved, that there could be a misunderstanding since the Gastineau Channel wanted a bridge too, we wanted to be sure that Knik got first, so that's why the CS reads the way it is.

Asked for Sub-committee for purpose of adopting a resolution to support the KNIK Arm crossing for next week's agenda.

Made motion that form a subcommittee for the purpose of creating a resolution from the Anchorage Caucus for supporting the KNIK ARM Crossing in conjunction with the legislation that's before us now as supporting the project.

Brief discussion

Sub-Committee Members: Representatives Lindauer, Liska, Ward; Senators Pettyjohn, Josephons, Haiford

QUESTION: I don't quite understand, we have two concepts here the downtown bridge and an Elmendorf bridge, it appears to me the DOT feels the Elmendorf crossing is the best way to go. Has that decision been made.

ANSWER: I think the key to note is they're very different projects in the way that they approach Anchorage ...

QUESTION: But the decision has not yet been made.

ANSWER: We are carrying both alternative to the environmental impact statement process, the decision is made after that.

QUESTION: The downtown crossing, requires no military lands ROW?

ANSWER: Yes,

Further questions/answers couldn't understand as several people talking at once.

We can not, we don't have enough information to eliminate the Elmendorf Crossing.....we have (not) completed our studies for official rule on that....

Bussell: ...haven't spoken about the enterprise fund or this inclusion of land into the fund, the enterprise fund as you know holds the Anchorage Airport as well as the Fairbanks Airport and a great deal of State land is involved in that enterprise fund. When they talk about adding land to the crossing fund, the thoughts were that that fund could be expanded and possibly renamed to include the crossing authority. By adding additional land to the enterprise, it then would be able to collect its own fees and tariffs much as the, same way the International Airport does right now. In conjunction with those other two sources, would become a viable source to sell its own bonds and build its own bridge and collect possibly its own accesses. Those of you who have talked to Mr. Olsen, incidentally, I'm awfully glad that MR. Olsen's on board, it's the first indication that I've had that the Dept. of Hwys is serious and it's going to respond to the legislature in building this bridge. Up until the time he came, I absolutely believe that all we got was rhetoric and run around at the continued expense for nothing. And I am very happy to see him here.

I think the enterprise fund, even though the DOT doesn't think its worth considering, I think it is definitely worth considering and probably the most viable way of getting that bridge built and having it control its own destiny and getting it done on time.

Brief thank yous, end of meeting.

# Alaska State Legislature




Speaker of the House of Representatives

Fouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3720

Official Business

MApril 10, 1984

To: Rep. Bette Cato  
Chairman/ House Transportation Committee

From: Joe L. Hayes  
Speaker 

Re: HB 661

HB 661 relating to revenue bonds for highway, road and bridge facilities is currently in your committee. This bill was introduced by the Governor. I also understand the administration supports the proposed substitute by the committee.

To give this bill an opportunity for passage by the Senate, it is imperative it be moved along quickly. I request that you move the bill from your committee as soon as possible.

Thanks.

HB 661

BILL HB0661  
PAGE 02562  
DATE 02/13/84  
CHAMBER HOUSE  
TEXT HOUSE BILL NO. 661 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority."

was read the first time and referred to the Transportation and Finance Committees.

BILL HB0661  
PAGE 02563  
DATE 02/13/84  
CHAMBER HOUSE  
TEXT A fiscal note was attached which appears in House Journal Supplement No. 92. The Governor's transmittal letter dated February 13, 1984, appears below:

"Dear Representative Hayes:  
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to toll bridges and highways. This bill addresses both the authority for construction and maintenance of the facilities and their funding through revenue bonding. The bill gives this authority to the Department of Transportation and Public Facilities and avoids unnecessary duplication of personnel in the administration of toll facilities. The language in the bill is based on language in AS 37.15.-410 -- 37.15.550, dealing with international airports revenue bonds.

The bill provides that the acquisition, construction, or equipping of toll facilities may be accomplished through the issuance of revenue bonds. It creates special funds for the accounting and management of proceeds of the bond sales and for the redemption or refunding of the bonds. It further allows the retention, in the toll facilities revenue fund created in AS 37.15.630, of money generated through toll collection. This money will then be used for payment of interest on the bonds and redemption as the bonds mature.

Money received from tolls collected and placed in the revenue fund is also made available for the purposes of paying for normal maintenance and operation of the toll facilities, replacement of the facilities, and other costs associated with the ownership of the facilities. The money would not be available for general appropriation by the legislature but would be protected for use for those purposes set out in AS 37.15.630. This does not violate the "dedicated funds" prohibition contained in art. IX, sec. 7, of the Alaska Constitution inasmuch as the funds are segregated for the purpose of guaranteeing payment of bonds and securing the collateral for the bonds.

This bill provides an opportunity to meet certain needs of the state's highway system in an era when general fund appropriations might not be possible for that important purpose. I urge your prompt consideration and action on this measure.

Sincerely,  
/s/ Bill Sheffield  
Bill Sheffield  
Governor"

BILL HB0661  
PAGE 03304  
DATE 04/12/84  
CHAMBER HOUSE  
TEXT

The Transportation Committee has had HOUSE BILL NO. 661 (relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority) under consideration, recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 661 (Transportation):

"An Act authorizing the construction of the Knik Arm Crossing and relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority."

and reports it back as follows: M. W. Miller (Chairman), Abood, Szymanski and Pettisworth recommend do pass; McBride and Davis recommend do not pass; Flood has no recommendation. A fiscal note was attached.  
HB 661 was referred to the Finance Committee.

The fiscal note appears in House Journal Supplement No. 127.

Toll Facility  
Revenue Bonds

HOUSE BILL NO. 661, by the Rules Committee by Request of the Governor. Relates to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds. See accompanying letter from the Governor. Does not provide for an effective date (becomes law 90 days after Governor signs bill).

Introduced February 13 and referred to Transportation, Finance.

In his message transmitting the bill, Governor Sheffield stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to toll bridges and highways. This bill addresses both the authority for construction and maintenance of the facilities and their funding through revenue bonding. The bill gives this authority to the Department of Transportation and Public Facilities and avoids unnecessary duplication of personnel in the administration of toll facilities. The language in the bill is based on language in AS 37.15.-410 -- 37.15.550, dealing with international airports revenue bonds.

The bill provides that the acquisition, construction, or equipping of toll facilities may be accomplished through the issuance of revenue bonds. It creates special funds for the accounting and management of proceeds of the bond sales and for the redemption or refunding of the bonds. It further allows the retention, in the toll facilities revenue fund created in AS 37.15.630, of money generated through toll collection. This money will then be used for payment of interest on the bonds and redemption as the bonds mature.

Money received from tolls collected and placed in the revenue fund is also made available for the purposes of paying for normal maintenance and operation of the toll facilities, replacement of the facilities, and other costs associated with the ownership of the facilities. The money would not be available for general appropriation by the legislature but would be protected for those purposes set out in AS 37.15.630. This does not violate the "dedicated funds" prohibition contained in art. IX, sec. 7, of the Alaska Constitution inasmuch as the funds are segregated for the purpose of guaranteeing payment of bonds and securing the collateral for the bonds.

This bill provides an opportunity to meet certain needs of the state's highway system in an era when general fund appropriations might not be possible for that important purpose. I urge your prompt consideration and action on this measure.

Toll Facility  
Revenue Bonds

HOUSE BILL NO. 661, (see page 372). Reported back to the House April 12 by Transportation recommending it be replaced with a substitute and as follows: M. W. Miller (Chair), Abood, Szymanski and Bettisworth recommend it do pass. McBride and Davis recommend do not pass. Flood has no recommendation. To Finance.

Transportation adds a new section that states: "Sec. 37.15.730. Knik Arm Crossing. Notwithstanding the provisions of AS 37.15.720 the first state toll facility to be constructed is the Knik Arm Crossing near Anchorage." (The provisions of sec. 720 authorize the state to "... acquire, construct, equip and maintain toll bridges, highways, roads, crossings, and causeways found to necessary by the commissioner of transportation and public facilities."--"crossings" is added by this substitute.) Adds reference to section 730 throughout the bill.

Transportation cleans up language throughout the bill. "Crossings" is also added to the definition of "toll facilities" in the definition section of the bill.

COMMITTEE REPORT

4/25

HOUSE

Rule

(11)

FURTHER:

4/12/84

Date: 4-25-84

The Committee on FINANCE has had HB 661

"An Act relating to the acquisition, construction, equipping, and maintenance of toll facilities funded by revenue bonds and providing toll collection authority."

under consideration and recommends:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HB 661 (Comp)  same title  
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent"  New Fiscal Note 200-19-84-3-27-84  
 Zero Fiscal Note Attached Sup 134
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Andrew Adams

R. B. Bettisworth

J. H. Brantley

Walt Furnace

Vernon Furber

Jim W. G. [unclear]

J. P. [unclear]

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[unclear] (none)

Jim Duncan (NO REC)

Frank F. Zippert (No Rec)

Andrew Adams  
CHAIRMAN

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

*Olson*

Revision Date: \_\_\_\_\_

REQUEST Page 1 of 2

FISCAL DETAIL

Bill/Resolution No.: CSHB 661 (Trsp)

Agency Affected: \_\_\_\_\_

Title: DOT&PF Toll Facilities  
Financing Bill

Program Category Affected: \_\_\_\_\_  
Transportation

Sponsor: Office of the Governor

BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

Requestor: \_\_\_\_\_

Major Projects Management

Date of Request: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		0 (1)*				
CAPITAL		0 (2)*				
REVENUE		0 (3)*				

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		0 (4)*				
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		0 (5)*				
PART-TIME						
TEMPORARY						

\*See attached notes

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Costs of issuing revenue bonds will be recovered in the bond sale and liquidated from project revenues. There is, therefore, no fiscal impact from the bill. Fiscal impacts from specific projects will be considered if and when legislation is introduced to contribute capital or operating funds to the projects.

ANALYSIS: Attach a separate page for analysis

Prepared By: John R. Olson  
Division: Major Projects Management

Phone: 266-1447  
Date: March 29, 1984

Approved by Commissioner: R. J. Knapp  
Agency: DOT&PF

Date: 3/29/84

Distribution (by Agency preparing fiscal note):

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

12/1/83

March 29, 1984

FISCAL NOTE BACKUP  
TOLL FACILITIES FINANCING

CS HB 661 (Trsp)

Page 2 of 2

- (1) The bill will allow DOT&PF to sell revenue bonds to finance toll producing transportation facilities. The first project to be financed will be the Knik Arm Crossing near Anchorage. Costs associated with the bond issue will be recovered with the issue and paid from revenues. Operating and other costs will also be paid from toll revenues. As a result, no net operating costs will accrue from the bill. Any legislated contributions to operating costs for specific facilities, (such as Knik Arm Crossing) would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (2) The bill seeks to construct capital facilities through the sale of revenue bonds. Any legislated contributions to capital, if required, would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (3) Facilities constructed under the bill will be revenue producing. The revenues will contribute to capital and operating costs as explained in notes (1) and (2) above.
- (4) Federal Fund eligibility will be determined on a project by project basis.
- (5) Employee costs and positions arising from facility operation will be paid from project revenues.

10  
supp 34

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date \_\_\_\_\_

REQUEST Page 1 of 2  
Bill/Resolution No: CS HB 661 (Trans.)  
Title: Knik Arm Crossing and Toll  
Facilities \_\_\_\_\_  
Sponsor: House Transportation \_\_\_\_\_  
Requestor: House Finance \_\_\_\_\_  
Date of Request: April 13, 1984 \_\_\_\_\_

FISCAL DETAIL  
Agency Affected: State Bond Committee  
Program Category Affected: \_\_\_\_\_  
BRU, Program of Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	63000.0	63000.0	63000.0	63000.0	63000.0
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	63000.0	63000.0	63000.0	63000.0	63000.0
TOTAL	-	-	-	-	-	-

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB  
Division: Treasury  
Approved by Commissioner: *[Signature]*  
Agency: Revenue

Phone: 465-2350  
Date: April 17, 1984  
Date: 4/19/84

Distribution (by Agency preparing fiscal note):

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

CS HB 661 (Transportation) Page 2 of 2  
Fiscal Note Analysis

\$63,000,000 is the estimated annual debt service on the \$500,000,000 revenue bonds authorized in CS HB 661. This debt service estimate assumes 20 year bonds at 11% interest to be conservative. Bonds may have longer maturities and higher or lower interest rates.

The source of funds for debt service would ordinarily be the toll facilities revenue fund. However, until the first project is operating, there will be no revenues. Therefore, for FY 85 at least, the fund source would be the toll facilities construction fund.

NOTE: The amounts requested in this fiscal note need only be appropriated if there is an appropriation enacted to construct toll facilities with bond proceeds. That is, the fiscal note solely for the authorization of \$500,000,000 in bonds is actually zero.

- Clean bill
- No obligations on Reg  
no 4
- Just Revenue bonds
- demon. public effort  
@ Long Rising

66/143

Blenda -

Blenda Cortez (4939) from  
jury ward's office called &  
said he has an amendment  
to 001 which he would like  
a CS for. She said the amendment  
would be coming from the  
Speaker's office. She needs to  
know how the process will  
work. Please call her. I guess  
we need to check with Neil  
on that, too?

- Caru



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

April 4, 1984

MEMORANDUM

TO: Representative Bette Cato  
Attention: Rhonda Cargill

FROM: David Teal *Teal*  
Legislative Analyst

RE: HB 661-Knik Arm Crossing  
Research Request 84-080

You requested a brief analysis of HB 661, which authorizes the construction of the Knik Arm crossing. We offer the following comments on the draft committee substitute dated March 15, 1984.

Explanation of HB 661

The bill is a framework for the sale of revenue bonds for the purpose of constructing, acquiring, equipping and maintaining toll facilities such as bridges and highways. The emphasis (in the bill title) on the Knik Arm crossing is therefore somewhat misleading; the bill authorizes the sale of bonds for any toll facility "found to be necessary by the commissioner of transportation and public facilities." Note, however, that Sec. 37.15.730 specifies that the Knik Arm crossing will be the first toll facility to be constructed under the proposed law.<sup>1</sup>

As you may know, the State issues three types of bonds. Each of the three types is briefly described below.

General Obligation Bonds (G.O. Bonds) are backed by the full faith, credit and resources of the State. This means that annual debt

---

<sup>1</sup>The present language specifies that the Knik Arm crossing is to be the first toll facility constructed with the proceeds of the revenue bonds authorized by HB 661. The language does not preclude use of the construction fund for other means of acquiring toll facilities or for converting existing state roads, highways, bridges, causeways or crossings to toll facilities. Once a facility is designated as a toll facility, the tolls can be used to pay the cost of operating, maintaining, renewing, replacing and repairing the facility.

service requirements (that is, payment of both principal and interest) have the first claim on all revenues of the State. General Obligation Bonds must be authorized by legislation for capital improvements and be ratified by the voters of the state.

International Airport Revenue Bonds are special obligations of the State. They are payable from and secured by a first lien on gross operating revenues derived from operations of the Anchorage and Fairbanks International Airports. The resolution authorizing sale of the airport bonds requires that rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements. In practice, the net revenue of the airports has been more than five times the amount required for debt service.

Agency Bonds are issued by a number of agencies that have a legal existence independent of the State. The Alaska Housing Finance Corporation is responsible for about 90 percent of bonded debt held by State agencies. Like revenue bonds, agency debt is self-liquidating. That is, principal and interest are payable from earnings derived from user charges.

HB 661 is nearly identical to current statutes related to revenue bonds for international airports (AS 37.15.410-.550). The maximum amount of airport bonds which can be sold is \$62.8 million and the amount of airport revenue bonds outstanding on June 30, 1983 was \$17.4 million. Similarly, the authorization to issue \$500 million in revenue bonds for toll facilities does not mean that the entire amount will be sold and certainly does not imply that the entire amount would be used to construct the Knik Arm crossing.

#### Analysis of the Knik Arm Crossing

The following analysis of the Knik Arm crossing is based on information contained in a feasibility study of the project.<sup>2</sup> The analysis is highly simplified and is intended to emphasize issues and options rather than to project actual circumstances. The attached tables were prepared by the agency to aid the analysis. Table A shows projected revenues and debt service in a "no inflation" scenario. Table B assumes that tolls increase by five percent per year to offset inflation. The columns in the tables are discussed below.

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<sup>2</sup>Knik Arm Crossing: Economic Feasibility, prepared for the Alaska Department of Transportation and Public Facilities by EMPS-Sverdrup, April 15, 1983.

- Crossings are based on the projections in the feasibility study. Note that the expected traffic in the first year of operation is equivalent to one vehicle every four seconds throughout the year. Projected traffic nearly doubles by 2030. Although these figures appear somewhat optimistic, I have no suggested alternative projections. Optimistic traffic counts will overstate revenue from tolls.
- Revenue is computed by multiplying annual traffic by the amount of the toll. Table A is a "no inflation" scenario and assumes that tolls remain at \$2 per crossing throughout the life of the project. Table B shows higher revenues because tolls are assumed to increase by five percent per year, which is the rate of inflation used in the feasibility study.
- Debt Service is based on the following assumptions:
  - 1) Bonds are sold to finance only the crossing itself; the approaches and other requirements of the project are assumed to receive funding from other sources.
  - 2) The crossing is expected to cost \$334.6 million, which is about 65 percent of the total cost of the project. All costs are in 1983 dollars.
  - 3) The bonds have a maturity of 20 years and carry an interest rate of 10.5 percent. Debt service is based on standard amortization schedules. If the bonds were sold at a lower interest rate, annual and total debt service costs would be lower. If the maturity were extended, annual debt service would be lower but total interest costs would be higher.
  - 4) The total amount of bonds sold to finance the crossing is 15 percent above the anticipated cost of the crossing. The 15 percent cushion is typical of revenue bond sales. The excess is used to cover the costs of the bond issue and to set up reserve accounts.
  - 5) The bonds are sold as required to meet the construction cost schedule on page III-5 of the feasibility study. Although this schedule of sales is unlikely to occur--interim financing is often used while a project is under construction and bonds are often sold as a large issue after a project is completed--it is used because it provides an approximation of interim financing requirements.

- Debt Service - Revenue is self-explanatory. The figures would change if either debt service or revenues were altered.
- Cumulative Cash Shortage is the cumulative amount by which debt service exceeds anticipated revenue from tolls. The amount does not include the costs of operating or maintaining the project.

The analysis shows that expected revenues from tolls exceeds cumulative debt service by the year 2030. However, there is a cash shortage throughout the life of the 20-year bond issue. Three options to cover the cash shortages are discussed below.

- The debt service can be capitalized, which means that more bonds are sold than are required to construct the crossing. The proceeds of the "excess bond" sale are then used to pay the difference between toll revenues and debt service on the bond package. If the revenue bonds are a tax free issue, the interest cost of the bonds is likely to be less than the interest that can be earned by investing the bond proceeds. Investing money at a higher interest rate than the cost of funds is called "arbitrage" and is generally discouraged by the Internal Revenue Service. In addition, bond purchasers might be wary of an issue which required capitalization of large portions of total debt service costs. Capitalization of interest could increase the interest rate on the bond issue, thereby raising the total cost of the project.
- The legislature could annually appropriate funds to pay debt service costs that exceeded annual revenue from the crossing. This situation would not be attractive to potential bond purchasers, especially because one legislature cannot bind future legislatures to a course of action.
- The bond issue could be reduced so that only a portion of the cost of the crossing is borrowed in the bond market. This would mean that all costs in excess of the bond proceeds would have to come from another source. The proposed Major Projects Fund is one potential source of funds for the crossing. Under current law, the capital budget is the most likely source of the funds necessary to reduce the level of bonding required to construct the crossing.

A reduced bond issue is the most likely scenario. John Olson, director of major projects for the Department of Transportation, expects that borrowing would be limited to about \$200 million for a downtown crossing and to no more than \$125 million if the access is through the Elmendorf Air Force Base. Debt service on a \$200 million bond issue would be about \$24 million per year under the assumptions listed earlier in this

Representative Cato  
April 4, 1984  
Page 5

memorandum. Debt service on \$125 million would be about \$15 million per year. The Department of Transportation expects toll revenues from the Elmendorf crossing to be sufficient to pay the debt service costs of a \$125 million bond issue.

\* \* \*

If you have questions on the material in this memorandum or would like us to provide additional information, please call the agency.

DT

Attachments

**TABLE A**  
**ANALYSIS OF THE KNIK ARM CROSSING**  
(DOLLARS ARE IN MILLIONS)

YEAR	CROSSINGS	REVENUE*	DEBT SERVICE	DEBT SERVICE CUMULATIVE	
				- REVENUE	CASH SHORTAGE
1985	0	\$ 0.00	\$ 0.43	\$ 0.43	\$ 0.43
1986	0	0.00	13.51	13.51	13.94
1987	0	0.00	27.54	27.54	41.48
1988	0	0.00	38.17	38.17	79.65
1989	0	0.00	46.75	46.75	126.40
1990	23,500	17.16	46.75	29.60	156.00
1991	23,895	17.44	46.75	29.31	185.30
1992	24,297	17.74	46.75	29.01	214.31
1993	24,706	18.04	46.75	28.71	243.03
1994	25,122	18.34	46.75	28.41	271.44
1995	25,544	18.65	46.75	28.10	299.54
1996	25,974	18.96	46.75	27.79	327.33
1997	26,411	19.28	46.75	27.47	354.80
1998	26,855	19.60	46.75	27.15	381.95
1999	27,307	19.93	46.75	26.82	408.76
2000	27,766	20.27	46.75	26.48	435.24
2001	28,233	20.61	46.75	26.14	461.38
2002	28,708	20.96	46.75	25.79	487.18
2003	29,191	21.31	46.75	25.44	512.62
2004	29,682	21.67	46.75	25.08	537.70
2005	30,182	22.03	46.32	24.29	561.99
2006	30,689	22.40	33.24	10.84	572.82
2007	31,206	22.78	19.21	-3.57	569.25
2008	31,730	23.16	8.58	-14.58	554.67
2009	32,264	23.55	0.00	-23.55	531.12
2010	32,807	23.95	0.00	-23.95	507.17
2011	33,359	24.35	0.00	-24.35	482.82
2012	33,920	24.76	0.00	-24.76	458.05
2013	34,491	25.18	0.00	-25.18	432.88
2014	35,071	25.60	0.00	-25.60	407.28
2015	35,661	26.03	0.00	-26.03	381.24
2016	36,261	26.47	0.00	-26.47	354.77
2017	36,871	26.92	0.00	-26.92	327.86
2018	37,491	27.37	0.00	-27.37	300.49
2019	38,122	27.83	0.00	-27.83	272.66
2020	38,763	28.30	0.00	-28.30	244.36
2021	39,415	28.77	0.00	-28.77	215.59
2022	40,078	29.26	0.00	-29.26	186.33
2023	40,752	29.75	0.00	-29.75	156.58
2024	41,438	30.25	0.00	-30.25	126.33
2025	42,135	30.76	0.00	-30.76	95.58
2026	42,844	31.28	0.00	-31.28	64.30
2027	43,564	31.80	0.00	-31.80	32.50
2028	44,297	32.34	0.00	-32.34	0.16
2029	45,042	32.88	0.00	-32.88	-32.72
2030	45,800	33.43	0.00	-33.43	-66.15

\* assumes 0.0% per year inflation

**TABLE B**  
**ANALYSIS OF THE KNIK ARM CROSSING**  
(DOLLARS ARE IN MILLIONS)

YEAR	CROSSINGS	REVENUE*	DEBT SERVICE	DEBT SERVICE CUMULATIVE	
				- REVENUE	CASH SHORTAGE
1985	0	\$ 0.00	\$ 0.43	\$ 0.43	\$ 0.43
1986	0	0.00	13.51	13.51	13.94
1987	0	0.00	27.54	27.54	41.48
1988	0	0.00	38.17	38.17	79.65
1989	0	0.00	46.75	46.75	126.40
1990	23,500	17.16	46.75	29.60	156.00
1991	23,895	18.32	46.75	28.43	184.43
1992	24,297	19.56	46.75	27.19	211.62
1993	24,706	20.88	46.75	25.87	237.50
1994	25,122	22.29	46.75	24.46	261.96
1995	25,544	23.80	46.75	22.95	284.91
1996	25,974	25.41	46.75	21.34	306.25
1997	26,411	27.13	46.75	19.62	325.87
1998	26,855	28.96	46.75	17.79	343.65
1999	27,307	30.92	46.75	15.83	359.48
2000	27,766	33.02	46.75	13.73	373.21
2001	28,233	35.25	46.75	11.50	384.71
2002	28,708	37.64	46.75	9.11	393.83
2003	29,191	40.18	46.75	6.57	400.39
2004	29,682	42.90	46.75	3.85	404.24
2005	30,182	45.80	46.32	0.52	404.76
2006	30,689	48.90	33.24	-15.66	389.10
2007	31,206	52.21	19.21	-33.00	356.09
2008	31,730	55.75	8.58	-47.17	308.93
2009	32,264	59.52	0.00	-59.52	249.41
2010	32,807	63.54	0.00	-63.54	185.87
2011	33,359	67.84	0.00	-67.84	118.02
2012	33,920	72.43	0.00	-72.43	45.59
2013	34,491	77.34	0.00	-77.34	-31.75
2014	35,071	82.57	0.00	-82.57	-114.31
2015	35,661	88.15	0.00	-88.15	-202.47
2016	36,261	94.12	0.00	-94.12	-296.59
2017	36,871	100.49	0.00	-100.49	-397.08
2018	37,491	107.29	0.00	-107.29	-504.36
2019	38,122	114.55	0.00	-114.55	-618.91
2020	38,763	122.30	0.00	-122.30	-741.21
2021	39,415	130.57	0.00	-130.57	-871.78
2022	40,078	139.41	0.00	-139.41	-1,011.19
2023	40,752	148.84	0.00	-148.84	-1,160.03
2024	41,438	158.91	0.00	-158.91	-1,318.94
2025	42,135	169.66	0.00	-169.66	-1,488.60
2026	42,844	181.14	0.00	-181.14	-1,669.74
2027	43,564	193.40	0.00	-193.40	-1,863.14
2028	44,297	206.49	0.00	-206.49	-2,069.63
2029	45,042	220.46	0.00	-220.46	-2,290.08
2030	45,800	235.37	0.00	-235.37	-2,525.46

\* assumes 5.0% per year inflation

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
Bill/Resolution No.: CSHB 661  
Title: DOT&PF Toll Facilities  
Financing Bill  
Sponsor: Office of the Governor  
Requestor: \_\_\_\_\_  
Date of Request: \_\_\_\_\_

FISCAL DETAIL  
Agency Affected: \_\_\_\_\_  
Program Category Affected: \_\_\_\_\_  
Transportation  
BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Major Projects Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		0 (1)*				
CAPITAL		0 (2)*				
REVENUE		0 (3)*				

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		0 (4)*				
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		0 (5)*				
PART-TIME						
TEMPORARY						

\*See attached notes

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Costs of issuing revenue bonds will be recovered in the bond sale and liquidated from project revenues. There is, therefore, no fiscal impact from the bill. Fiscal impacts from specific projects will be considered if and when legislation is introduced to contribute capital or operating funds to the projects.

ANALYSIS: Attach a separate page for analysis

Prepared By: John B. Olson *Olson* Phone: 666-1447  
Division: Major Projects Management Date: March 29, 1984  
Approved by Commissioner: *R. J. Knapp* Date: 3/29/84  
Agency: DOT&PF R. J. Knapp

Distribution (by Agency preparing fiscal note):

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

12/1/83

March 29, 1984

FISCAL NOTE BACKUP

TOLL FACILITIES FINANCING

(CS HB 661)

- (1) The bill will allow DOT&PF to sell revenue bonds to finance toll producing transportation facilities. The first project to be financed will be the Knik Arm Crossing near Anchorage. Costs associated with the bond issues will be recovered with the issue and paid from revenues. Operating and other costs will also be paid from toll revenues. As a result, no net operating costs will accrue from the bill. Any legislated contributions to operating costs for specific facilities, (such as Knik Arm Crossing) would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (2) The bill seeks to construct capital facilities through the sale of revenue bonds. Any legislated contributions to capital, if required, would be the subject of separate legislation and the fiscal impact would be considered with such legislation.
- (3) Facilities constructed under the bill will be revenue producing. The revenues will contribute to capital and operating costs as explained in notes (1) and (2) above.
- (4) Federal Fund eligibility will be determined on a project by project basis.
- (5) Employee costs and positions arising from facility operation will be paid from project revenues.

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

MAJOR PROJECTS MANAGEMENT

CENTRAL REGION

4111 AVIATION AVENUE  
POUCH 6900  
ANCHORAGE, ALASKA 99502  
(TELEX 25-185)

(907) 266-1448

APR 23 1984

April 20, 1984

Re: CSHB 661 - April 12, 1984 Inquiry  
From Representative Bette Cato,  
House Transportation Committee

Honorable Joe Hayes  
Speaker of the House  
Pouch V  
State Capitol  
Juneau, Alaska 99811

Dear Representative Hayes:

In response to a request from Mr. Neil Phelps-Munson of your office, following are answers to questions raised in an April 12, 1984 letter from Representative Betty Cato on CSHB 661.

QUESTION - "The language in the bill specifies that the Knik Arm Crossing is to be the first toll facility constructed with the proceeds of revenue bonds authorized. How does it preclude use of construction fund for other means of acquiring toll facilities or converting existing State roads, highways, bridges, causeways or crossings to toll facilities."

ANSWER - There are three forms of protection against abuses of borrowing authority created by CSHB 661.

1. State Constitution - The constitution allows funds to be created (such as the construction fund, revenue fund and bond redemption funds in CSHB 661) to collect moneys associated with revenue bond payments. The constitution will not allow DOT&PF to charge tolls on a facility and pledge those funds to another facility. If DOT&PF collects tolls on any project for which revenue bonds have not been sold the money would go directly to the general fund. In fact, after the revenue bonds for the Knik Arm Crossing (or any other facility) are paid off, toll revenues will flow to the general fund.
2. Bond market requirements - The bond resolution and other representations associated with selling revenue bonds will assure bond buyers that funds obtained from the bond sale will only be used for the project identified in the offering. No way could any proceeds of a bond sale be used for another project. The "bond test" is probably the best assurance of realistic revenue forecasting and appropriate fund utilization that can be offered to the legislature.

3. Revenue constraints - Toll bridge or highway projects in Alaska characteristically have traffic volumes that are too low to recover even a portion of capital costs from toll revenues. At present the Knik Arm Crossing is the only project we can identify that can generate toll revenues sufficiently in excess of operation and maintenance costs to warrant sale of toll revenue bonds. Even so, action from the legislature will be needed next year to implement the project. We can foresee no Alaska bridge or highway project that will be so lucrative in toll revenue that the DOT&PF would be able to implement the project without discretionary review and support from the legislature.

QUESTION - "Does the language in this bill restrict the use of money for special projects or is the money discretionary? If not restricted, what language could be used to do so?"

ANSWER - The bill allows the sale of revenue bonds first for the Knik Arm Crossing, and then for other projects that can produce toll revenues sufficient to make debt service payments. There is no discretion to use the revenue bond money for anything but toll bridges and highways for which revenue bonds have been sold. Language in the CSHB 661, combined with the State constitution, bond market requirements, and revenue constraints for toll bridges and highways (as discussed above) are adequate restrictions to assure the legislature that the bill will be used in the manner intended by the legislature.

QUESTION - "We have been told that CSHB 661 is based on the international airport revenue bonds but the difference we wonder about is:

The maximum amount of airport bonds that can be sold is \$62.8 million; the resolution authorizing the sale of airport bonds requires rentals, fees and other airport charges be set at a level sufficient to provide annual net revenues at least 30 percent higher than annual debt service requirements."

ANSWER - The bond market will require a revenue-to-debt service ratio of 1.2 to 1.5. Rather than fix this ratio in law, we would prefer to establish the ratio as a bond covenant in the offering along with other variables such as revenue forecast, debt retirement schedule, term of bonds, and reserve amounts. In other words, the revenue-to-debt service ratio should be set at the time of sale as part of the marketing mix offered to bond buyers.

QUESTION - "CSHB 661 authorizes sell of \$500 million in revenue bonds and does not imply that the entire amount will be sold or would be used to construct the Knik Arm Crossing."

ANSWER - That is correct. At the present time it appears the project will support about \$200 million in revenue bond borrowing. If interest rates are lower at the time of the sale we could borrow more. The balance of bond

April 20, 1984

authority remaining after the bond sale for the Knik Arm Crossing would be available for other projects under the framework legislation concept. Again, the authority to sell bonds for other projects will only be used if the project withstands a bond test, which means it must demonstrate sufficient toll revenues to repay the bonds.

The legislature is definitely not offering carte blanche to other toll bridge and highway projects. The legislature will continue to have funding discretion over every project even before it goes to a bond test. At the risk of being repetitious, this is primarily because toll bridges and highways in this State will not produce sufficient revenues to fully repay capital costs over annual operation and maintenance.

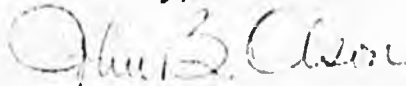
QUESTION - "Thus, the question being that what happens if there is a cash shortage throughout the life of the 20 year bond issue, which option will be taken to cover these cash shortages?"

ANSWER - As mentioned earlier, revenues will be programmed to exceed debt service by 20 to 50 percent. There will also be a reserve fund to hold a percentage of bond proceeds to pay debt service. If, however, revenue shortages begin to materialize, DOT&PF could act to increase revenues by toll enhancement (i.e. encourage additional user volume; raise tolls). If these precautions and remedies fail it would be necessary to seek state aid to avoid a default. The bonds are not a general obligation of the State so the legislature could decline to give aid. Not aiding a state bonded project would, of course, have an adverse effect on other state bond issues. The tendency for a state to "rescue" lenders from default on state bonds is often referred to as a "moral obligation" that attaches to all bond issues in the state. Revenue bonds issued by State authorities typically prescribe a procedure whereby the legislature will be notified of an impending shortage, in time for action to be taken. Adding this procedure serves to improve the bond rating.

Realize that there is considerable conservatism in a revenue bond issue to avoid the need for a rescue effort by the legislature. Bond holders demand this conservatism which also works to protect the state from failing revenue bonded facilities.

If you have further questions, please let me know.

Sincerely,



John B. Olson  
Director  
Major Projects Management

csb

cc: Ray Gillispie, Legislative Ass't, Office of the Governor  
Paula Ramsey, Budget Analyst/Legislative Liaison, Statewide Programs

**Comments on the applicability of CSHB 661 to financing the Knik Arm Crossing.**

1. DOT&PF Position and Perspectives on CSHB 661
2. Summary of Briefing Materials
3. Correspondence from private firms that have expressed interest in financing the Knik Arm Crossing (These letters were requested by the House Transportation Committee on March 28, 1984).

Presented to House Transportation Committee  
April 5, 1984  
John B. Olson  
Telephone 266-1447

## DOT&PF Position and Perspectives on CSHB 661

### BACKGROUND

The original HB 661 was submitted to accomplish two purposes:

1. Provide DOT&PF the authority to sell revenue bonds to finance toll bridges and highways; and
2. Authorize DOT&PF to collect tolls on bridges and highways to make principal and interest payments on the revenue bonds.

The bill was introduced to provide a financing mechanism for the Knik Arm Crossing. A framework approach was taken on advice of the Attorney General's office, recognizing the State Constitution's requirements to avoid legislation specific to a location or region. We also wanted to preserve the option to recommend the mechanism for future revenue producing highway or bridge projects.

The bill is modeled after the revenue bond provisions of the Airport Revenue Fund. The model was used because it is known to the legislature, and has a good track record to present to bond underwriters and rating organizations.

### DEPARTMENT POSITION ON CSHB 661

The DOT&PF continues to recommend a framework concept for bills like HB 661. However, we recognize the committee substitute to be a reasonable bill that addresses concerns expressed by legislators. We, therefore, support the committee substitute and recommend its passage.

### APPLICATION TO KNIK ARM CROSSING

The bill provides a mechanism for applying the toll revenue stream expected from the Knik Arm Crossing to the construction of the facility. This mechanism will be considered, along with other financing approaches, in an implementation plan to be presented to the legislature next year. We expect the implementation plan will lead to the legislative direction needed to construct the crossing. No sales of revenue bonds or other related action will be taken before the next legislative session. DOT&PF staff will be working with legislators to exchange information prior to finalizing our recommendations and presenting the implementation package to the legislature.

### APPLICATION TO OTHER PROJECTS

If the Knik Arm Crossing uses the revenue bond sales concept outlined in CSHB 661, the mechanism will be available for other projects. (The bill requires application to the Knik Arm Crossing before any other project.) It should be recognized that bridge and highway projects that can generate revenues in excess of their operations and maintenance costs are quite unique in Alaska. To the extent such projects are identified in the future (we have none to suggest at this time) the legislature would play an active role in their development and financing.

Presented to the House Transportation Committee, April 5, 1984

## KNICK ARM CROSSING - FINANCING

1. Financing Choices
  - Pay Cash
  - Borrow
  - Save
  - Get Equity Partner
  - Combination of Above
  
2. Pay Cash
  - Appropriation
    - Lump Sum
    - By Component
  
  - Federal Funds
    - Highway Matching Funds
    - Connecting Roads Only
  
  - Raise Cash
    - Land Sales/Exchanges
  
3. Borrow
  - General Obligation Bond
    - Full Faith and Credit Pledge
    - Lowest Cost Borrowing
  
  - Revenue Bonds (CSHB 661)
    - DOT&PF to Collect Tolls
    - Tolls Pledged to Retire Debt
  
  - Private Lending Sources
    - Available Through Equity Partnerships

4. Save

- Allows Cash Payments
- Major Projects Fund (Or Other "Savings Account" Approach)
  - Toll Revenues Returned to Fund
  - O&M From Account in Major Projects Fund or General Fund
- General Fund (G.F.)
  - Annual Appropriation to G.F. Account
  - Build By Components
  - Toll Revenues Flow to G.F.

5. Equity Partnership

- Local Government (Unlikely Equity Partner for Knik Arm Crossing)
- Private Enterprise (Several Expressions of Interest Received)
  - Service Contract, Lease
  - Full Faith and Credit Pledge (Often Requested to Minimize Risk/Borrowing Cost; Requires Statewide Vote)
- Constitutional Constraints
  - State Debt
  - Annual Appropriation
  - Direction of Funds
  - Contract Negotiation
- Source of Funds
  - Tax-Exempt Borrowing
  - Non-Exempt Borrowing (Expensive)
- Federal Legislation
  - Industrial Revenue Bond Limit (Per Capita Basis)
  - Accelerated Depreciation in Question

6. CSHB 661

- Model: Airport Revenue Fund
- Desired This Year
  - Known Entity of implementation Plan
  - Likely to be Used
- The CS is a Reasonable Bill
  - Responds to Concerns for Framework Concept
  - Timely for the Knik Arm Crossing Project

Correspondence From Firms Interested In Financing Or Constructing The  
Knik Arm Crossing.

WILLIAM KENT AND COMPANY

900 WEST FIFTH AVENUE, SUITE 610

ANCHORAGE, ALASKA 99521

(907) 276-0660

March 16, 1984

Mr. Jack Allen, P.E.  
Project Manager, Knik Arm Crossing  
Sverdrup & Parcel and Associates, Inc.  
430 C Street, Suite 200  
Anchorage, AK 99511

Dear Mr. Allen:

On March 14, John Olson and I met with Mr. Gopinath, Vice President of Corporate Affairs, Calista Corporation and Mr. Denji, Vice President of Calista International Corporation.


Calista has been dealing with Mitsui Shipbuilding and Engineering regarding the Knik Arm Crossing. Mitsui has done some work on design for the bridge, and has talked to their partners at the Mitsui Bank. Calista offered to meet with us to discuss engineering and financing in more detail, and offered to have Mitsui people come over.

We explained some of the more important constraints in state financing or other state participation, and our timetable for the project, and we offered to meet with them to discuss financing. We did not encourage them to bring any engineers over from Japan, at least not yet. I will arrange a meeting with Calista regarding financing in the next few weeks -- probably during the week of March 26.

Calista seemed interested in getting the following messages to us:

1. Confidentiality of their work is important to them. They believe that they have an advantage in their ability to bring financing into a package deal, and they do not want their concept, or their own engineering, to be public information before the bid.
2. They want the full faith and credit of the state behind the financing.
3. They were interested in seeing the project go forward, whether they were involved in the construction or not.

Sincerely,

  
Steven A. Rieger  
Vice President

SAR/bsb

cc: ADOT/PF

**Brown & Root, Inc.**

200 Porter Drive, San Ramon, California, 94583

W. D. Arnold  
Manager - Business Development  
Marine Services

(415) 838-6149



March 19, 1984

John B. Olson  
Director, Division of Major Project Management  
State of Alaska  
Department of Transportation and Public Affairs  
Pouch 6900  
4111 Aviation Avenue  
Anchorage, Alaska 99502

SUBJECT: Knik Arm Crossing

Dear Mr. Olson:

It was a pleasure to have visited with you in your offices in Anchorage on February 21st. The time you spent with us in explaining the situation regarding the Knik Arm Crossing was very much appreciated.

As discussed in our meeting, Brown & Root is very interested in bidding the Engineering/Construction of the Knik Arm Crossing and has had three consortia approach us about possible financing of portions of this project.

During our discussions you indicated that it would be difficult for the Department of Transportation or the State to negotiate an unsolicited bid for the overall package. Therefore, we would like to prequalify for the work in the routine manner that you plan to use later this year. Brown & Root has been involved in several major water crossings in the United States and has the expertise and the equipment available, including derrick barges that might be required for some of the heavy lifts.

Thanks again for the time that you allowed us back in February. We are looking forward to working with you on this project as it develops.

Kind Regards,

*Bill*

W. D. Arnold  
Manager, Business Development  
West Coast and Alaska

WDA/lmw

RECEIVED

MAR 27 1984  
DOT & PF  
Major Projects MGMT.



**SAMWHAN CORPORATION**  
 ARCHITECTS, ENGINEERS & CONTRACTORS  
 58-20, WOONI-DONG, CHONGRO-KU, C.P.O. BOX 42, SEOUL, KOREA

*Copy - Hand  
 File - KAC Comp*

**HEAD OFFICE:**  
 TELEX: SAMWHAN K28212  
 SAMWHAN K24369  
 SAMWHAN K25117  
**CABLE: GREENLIGHT SEOUL**  
 PHONE: 765-0151/9

February 20, 1984

John B. Olson  
 Director  
 Division of Major Projects Development  
 Dept. of Transportation &  
 Public Facilities

Dear Sir,

I would like to express my sincere gratitude for your warm hospitality rendered during my visit to your office on February 10, 1984, sharing time from your busy schedule.

You were very kind and helpful in conducting my successful survey on future Alaska construction market prospective for our business activities. Our technical engineering Dept. has just begun reviewing the draft of tender documents regarding Nome Harbour Project furnished to me in anticipation of your invitation.

Meanwhile, I sincerely hope that we would be invited to the tenders for the Knit Arm Bridge Project and other various projects planned for the five years ahead according as you promised that our Corporation would be registered with prospective bidder list applicable for your esteemed State Government's projects.

We assure you of our best service to highest standard if an opportunity be given to us. Wishing the ever-lasting prosperity of your esteemed Department.

Yours Sincerely,

SAMWHAN CORPORATION  
*[Signature]*  
 Young-Ju Moon  
 Director

RECEIVED  
 FEB 27 1984  
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## NIPPON KOKAN K.K.

1-1-2, MARUNOUCHI, CHIYODA-KU, TOKYO 100

PHONE: (03) 212-7111

TELEX: 222-2811 NKK J

CABLE ADDRESS: KOKANNK TOKYO

January 27, 1984

Alaska Department of Transportation  
and Public Facilities  
State of Alaska  
4111, Aviation Drive  
Anchorage Alaska, 99502

Attn : Mr. J. B. Olson

Gentlemen,

Re : Knik Arm Crossing

We, NIPPON KOKAN K.K. (hereinafter called NKK), have the honour to express our keen interest in participating in the captioned project and to submit herewith our company brochures, experience record and technical documents in which you will find activities and performance of our company.

As you may see from the above documents, NKK is now ranked as the third largest steelmaker in the world and in terms of all around technical expertise, NKK holds an unrivaled position because it is simultaneously a world leader in three major industrial fields - Steelmaking, Heavy Industries and Shipbuilding - allowing it to supply a comprehensive range of products and services to you.

In the field of bridge construction, NKK has considerable experience about supply and erection of steel superstructure of various type of bridge and has enjoyed good reputation in our achievement abroad as well as domestic.

Furthermore NKK has remarkable speciality of steel structures for low temperature service and has executed structural steel works in your esteemed province, such as Kenai Bridge, Sagavaihtok River Crossing,

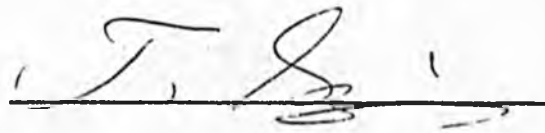
Alyeska Pipe Support Bridge, Gulkana Bridge and Pipe Support structures for Trans Alaska Pipeline Project, etc.

Judging from the foregoing, we are confident that NKK is capable enough in undertaking and proceeding this bridge construction project meeting with your expectation and requirements of price, engineering service, performance and quality.

We would highly appreciate it if you could invite us to the forthcoming qualification and tender and let us have a chance to work together with you toward successful construction of this bridge.

Thank you for your attention and we are looking forward to serving you in the near future.

Very truly yours,



T. Suganami  
Deputy General Manager  
Steel Structures &  
Construction Dept.

MITSUBISHI BANK, LIMITED

7-1, MARUNOUCHI 2-CHOME, CHIYODA-KU,  
TOKYO 100, JAPAN

August 6, 1983

Mr. Mead Treadwell  
Executive Director  
Governor's Economic Committee  
On North Slope Natural Gas  
P.O. Box 1700  
Anchorage, Alaska 99510

Dear Mr. Treadwell,

Mr. Norio Yamamoto of Mitsubishi Research Institute kindly forwarded to us your Economic Feasibility Report on the Knik Arm Crossing dated April 15, 1983 for our reference.

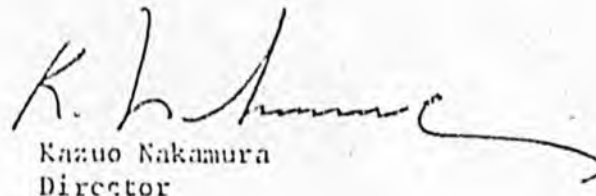
After a brief review, we have found the project interesting and wish to cooperate with you for the promotion of the project.

Accordingly, we appreciate it if you could let us know the area in which we shall be of assistance to you as a member of the Mitsubishi group which is the largest industrial groups in Japan. At the same time, it will be most helpful to us if you could provide us with a detailed financial plan for the project so that we shall be able to better analyze the project from the financial point of view.

It will be a great pleasure for us to exchange ideas with you how to promote the project and we wish to continue a dialogue on the development of the project. Please contact us at any time when you need our assistance.

Looking forward to hearing from you soon, and please give my best regards to Mr. Walter J. Hickel.

Very truly yours,



Kazuo Nakamura  
Director

KN/ri

P.S.

For your reference we enclosed herewith a memorandum in regards to the Yen-Financing market.



# YUKON PACIFIC CORPORATION

*Copy - Jerry Hamel for Resf  
(Keep original here -  
give to me) JD*

*12/15  
Copied to J Allen*

November 4, 1983

Mr. John Olsen  
Major Projects Management  
Department of Transportation and Public Facilities  
4111 Aviation Drive  
Pouch 6900  
Anchorage, Alaska 99502

Dear John,

Enclosed is the letter I received from Mr. Kazuo Nakamura at the Mitsubishi Bank. Governor Hickel and I have had dinner with Mr. Nakamura twice before in Japan and he shares a strong interest in Alaska.

Either his bank, or some other part of the Mitsubitshi Group could be called upon to play a role in the Knik Arm Project. I'd keep churning the waters by providing information his way so that they can respond when the time comes.

Congratulations on your appointment. We should be working together as time passes.

With best wishes,

Sincerely,

Mead Treadwell  
Secretary

/Enclosure

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DOT & PF  
Major Projects MGMT.

*...the proper a response for this  
...carefully consider his uses  
...suggestion*

*action 6/20*

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June 2, 1983

'83

Mr. Richard S. Armstrong, P.E.  
Director, Central Region  
Design and Construction  
State of Alaska  
Dept. of Transportation and Public Facilities  
4111 Aviation Avenue, Pouch 6900  
Anchorage, Alaska 99502

1284  
Dore Huggins  
Tom Singer  
John Gillman

Re: Knik Arm Crossing

Dear Mr. Armstrong:

Thank you for your letter of May 18 and the Economic Feasibility Report on the Knik Arm Crossing. We are strongly interested in financing, design, construction and operation of the toll bridge.

Based on our experience in similar projects in Greece and Kuwait, we imagine that a possible scenario may look as follows:

1. Project will be formulated by the State. Bridge design criteria will be set; evaluation criteria for prequalification and final contract award will be laid out; and the terms of the eventual contract between the State and Contractor will be spelled out.
2. State will prequalify bidders (typically consortia of banks, engineering consultants and general contractors) on their financial, engineering and management strengths.
3. The prequalified bidders will submit their final designs, construction schedules and operation plans. State will select a successful bidder according to the preset criteria.

(continued)

Mr. Richard S. Armstrong  
June 2, 1983  
Page Two

4. Contractor will construct, operate and maintain the toll bridge.
5. After a certain number of years, State will purchase the bridge from Contractor for a predetermined price, and take over the operational responsibilities.

It appears from your report that most work necessary for establishment of design criteria has already been done. You could easily prepare a final design with State's fund and let bidders bid for it. This approach will simplify your task of bid evaluation, but you may miss an opportunity to take advantage of bidders' design ingenuity and particular strengths in performing certain types of construction.

Simple and loosely written design criteria helped the Government of Kuwait to get an ingeniously designed bridge (Bubiyah Bridge) inexpensively while the same approach muddled everything in the case of Rion-Antirion Crossing in Greece. My personal preference for the Knik Arm Crossing is to have relatively tight design specifications--at the level of your Conceptual Details--and permit the bidder to design only the details and construction methods to suit their capabilities.

Even with tight design specifications, the task of bid evaluation will not be simple. The fundamental question is what variable should be used as the main determinant of the bid when the construction cost is not a visible factor. One possibility would be the "Sell-back Price" if it is allowed to be bid on. All others being equal (or meeting the minimum criteria), State could pick up the bidder who offers the lowest sell-back price for a given target year.

As a part of the Contract terms, we expect the State to stipulate the maximum tolls chargeable to each type of vehicle for each period of years. We also expect the State to guaranty the minimum revenue traffic, and subsidize the Contractor if the traffic volume does not reach it. It will be a formidable task to devise a subsidy formula that will satisfy both the State and the Contractor. However, it is essential that it will be spelled out before bidding.

(continued)

Mr. Richard S. Armstrong  
June 2, 1983  
Page Three

Finally, because of Alaska's proximity to Japan, we expect Japanese consortia, and perhaps some Koreans, to offer very competitive bid packages. We also work closely with Japanese companies. We therefore urge you to keep the competition open to all international bidders and eliminate any and all Buy-American and U.S.-Flag requirements and penalties from this project, except that the local labor should be used for construction and operation, and that the operating company should be an Alaskan corporation.

If you wish, we will be happy to provide more detailed input as a potential bidder. Please feel free to call me anytime for informal discussion.

We wish you a great success in this challenging project.

Sincerely,



Y. Tito Sasaki  
President

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH Z  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

March 29, 1984

Re: DOT&PF Position and  
Perspectives on CSHB 661

The Honorable Joe Hayes  
Representative  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Representative Hayes:

In response to a March 28, 1984 request from Mr. Neil Phelps-Munson of your office, following is a brief summary of the DOT&PF position and perspectives on CSHB 661. I have discussed this information with Commissioner Knapp to assure accurate presentation of our Department's position.

## BACKGROUND

The original HB 661 was submitted to accomplish two purposes:

1. Provide DOT&PF the authority to sell revenue bonds to finance toll bridges and highways; and
2. Authorize DOT&PF to collect tolls on bridges and highways to make principal and interest payments on the revenue bonds.

The purpose of the bill was to provide a financing mechanism for the Knik Arm Crossing. A framework approach was taken on advice of the Attorney General, recognizing the State Constitution's requirements to avoid legislation specific to a location or region. We also wanted to preserve the option to recommend the mechanism for future revenue producing highway or bridge projects.

The bill is modeled after the revenue bond provisions of the Airport Revenue Fund. The model was used because it is known to the legislature, and has a good track record to present to bond underwriters and rating organizations.

DEPARTMENT POSITION ON CSHB 661

The DOT&PF continues to recommend a framework concept for bills like HB 661. However, we recognize the committee substitute to be a reasonable compromise recognizing concerns expressed by legislators. We, therefore, support the committee substitute and recommend its passage.

APPLICATION TO KNIK ARM CROSSING

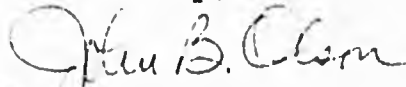
The bill provides a mechanism for applying the toll revenue stream expected from the Knik Arm Crossing to the construction of the facility. This mechanism will be considered, along with other financing approaches, in an implementation plan to be presented to the legislature next year. We expect the implementation plan will lead to the legislative direction needed to construct the crossing. No sales of revenue bonds or other related action will be taken before the next legislative session. I and other DOT&PF staff will be working with legislators to exchange information prior to finalizing our recommendations and presenting the implementation package to the legislature.

APPLICATION TO OTHER PROJECTS

If the Knik Arm Crossing uses the revenue bond sales concept outlined in CSHB 661, the mechanism will be available for other projects. (The bill requires application to the Knik Arm Crossing before any other project.) It should be recognized that bridge and highway projects that can generate revenues in excess of their operation and maintenance costs are quite unique in Alaska. To the extent such projects are identified in the future (we have none to suggest at this time) the legislature would play an active role in their development and financing.

Please contact me if you have any questions regarding our position on CSHB 661 or the Knik Arm Crossing.

Sincerely,



*RJR*  
R. J. Knapp  
Commissioner

ajh

cc: Ray Gillispie, Legislative Assistant, Governor's Office  
Jerry Hamel, Project Manager, Knik Arm Crossing  
David Haugen, Deputy Commissioner, Central Region  
Paula Ramsey, Budget Analyst/Legislative Liaison  
William R. Snell, Director Planning & Programming, Central