

SB

240

SENATE COMMITTEE REPORT

FURTHER:

4/24/87

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE Committee considered SB 240

suspending requirements for reports on arrangements and offers to sell the Alaska Railroad; efd.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Committee Backup Attached Chairman signature and recommendation

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of April 16, 1987 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

4/8/87

DATE TURNED INTO OFFICE April 23, 1987

Mr. President:

TRANSPORTATION

Committee considered SB 240

suspending requirements for reports on arrangements and offers to
sell the Alaska Railroad; efd.

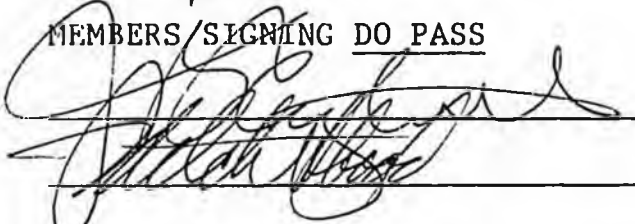
and recommended:

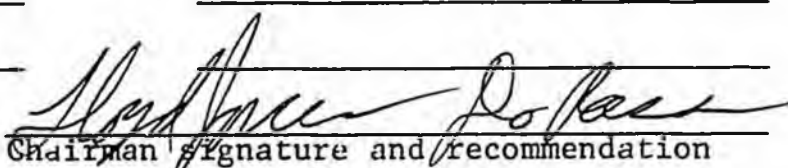
- replace with CS _____ same title
- attached amendment(s) and new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS





Chairman signature and recommendation

Committee Backup Attached

Introduced: 4/8/87
Referred: Transportation
& Finance

5-0782A

1 IN THE SENATE

BY THE TRANSPORTATION COMMITTEE

2 SENATE BILL NO. 240

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act suspending requirements for reports on ar-
7 rangements and offers to sell the Alaska Railroad;
8 and providing for an effective date."

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

10 * Section 1. Notwithstanding AS 42.40.260(b), the Alaska Railroad
11 Corporation shall include the first analysis and documentation required
12 under AS 42.40.260(b) in its annual report for fiscal year 1994.

13 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).
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**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

B

REQUEST: _____
Revision Date: _____
Title: An Act Suspending Requirements for Reports on Arrangements and Offers to Sell the Alaska Railroad
Sponsor: Transportation Committee
Requestor: Transportation Committee

Bill Version: SB 240
Public Date: 4-8-87

Agency Affected: Alaska Railroad Corporation
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-					

CAPITAL	-0-					
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REVENUE	*					
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS						
OTHER						
TOTAL	-0-					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS:

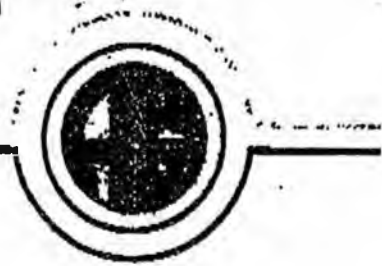
(107)
 *As the position paper submitted by the Alaska Railroad Corporation explains, delaying efforts to sell the railroad beyond January 5, 1990, will mean that the State of Alaska, not the United States, will enjoy sale profits. Although delayed beyond this first five year period, costs related to efforts to sell the railroad should remain relatively unchanged.

Prepared by: Larry D. Wood, General Counsel *ljw* **Phone:** 265-2461
Division: Alaska Railroad Corporation **Date:** 4-23-87

Approved by Commissioner: *C. Palomela* **Date:** 4-23-87
Agency: F. G. Turpin, President and CEO

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget

ALASKA RAILROAD CORPORATION



P.O. Box 7-2111 • Anchorage, Alaska 99510-7069

VIA TELECOPIER

April 23, 1987

Honorable Lloyd Jones, Chairman
Senate Transportation Committee
P.O. Box V, Room 15
Juneau, Alaska 99811

Re: SB No. 240, An Act Suspending Requirements for Reports
on Arrangements and Offers to Sell the Alaska Railroad

Dear Senator Jones,

Thank you for providing this opportunity for the Alaska Railroad Corporation ("ARRC") to comment on SB No. 240. As you know, the bill proposes to amend the Alaska Railroad Corporation Act and will require that the first analysis and documentation of potential railroad sale arrangements appear in the corporation's annual report for fiscal year 1994.

For the reasons stated in enclosed position paper, we strongly support this legislation. Should the railroad be sold, delay of mandatory sale arrangements beyond 1990 will avoid federal legal requirements that sale profits be paid to the United States. This action will clearly serve the State's best interests.

Unfortunately, Frank Turpin is on the line this week meeting with employees to discuss various aspects of new labor agreements. However, I know that he would want me to extend his personal greetings and to thank you for your active consideration of this important legislation.

Sincerely,

Larry D. Wood
General Counsel

cc: F. G. Turpin
President and Chief Executive Officer

4112L

POSITION PAPER / Alaska Railroad Corporation

SENATE BILL NO. 240

AN ACT SUSPENDING REQUIREMENTS FOR REPORTS
ON ARRANGEMENTS AND OFFERS TO SELL THE
ALASKA RAILROAD

I. INTRODUCTION

SB No. 240 proposes that the first analysis and documentation required under AS 42.40.260(b) (part of the Alaska Railroad Corporation Act ("ARCA")) be included in the corporation's annual report for fiscal year 1994.

The Alaska Railroad Corporation ("ARRC") strongly supports this legislation.

II. DISCUSSION

When the State of Alaska purchased the Alaska Railroad in January, 1985, it agreed to many sale terms. These terms include a provision in the federal Alaska Railroad Transfer Act ("ARTA") which requires the State to turn over any profits of a subsequent sale or transfer of the railroad to the United States, if the sale occurs within the first five years of state ownership. 45 USC § 1209(e). This period expires on January 5, 1990.

In the face of this restriction, ARCA presently requires ARRC to include in its annual report an analysis of potential arrangements to sell the railroad every five years, including documentation of at least three offers to sell the railroad. These offers must be bona fide attempts by the state-owned railroad to sell all or part of its assets and operations.

The combination of ARTA's requirement that the State turn over any profits to the federal government if the railroad is sold before January 5, 1990, and the great cost of researching, preparing, soliciting, and negotiating meaningful sale offers does justify delay of ARCA's mandate that sale offers be solicited by ARRC before 1990. This will be simply accomplished by SB No. 240.

The bill extends the due date for the first analysis of potential sale arrangements to fiscal year 1994 which is outside the federal protection period. This action will guarantee that the State will properly enjoy the entire

proceeds of any sale or transfer of the line. This modification of ARCA will clearly serve the State's best interests. In addition, the State-owned railroad will be allowed sufficient time following the end of this first five-year period to meaningfully research, prepare, and negotiate sale offers and terms. The growing number of recent disposals of short lines Outside emphasizes that such transactions are extremely complex and require a substantial investment of time and money.

Finally, although out-of-pocket expenses associated with any sale of the railroad may be deducted from sale proceeds which must be paid to the United States, there is less certainty about the deductibility of sale costs directly attributed to hundreds of hours of State and Railroad staff time. In light of that uncertainty, it is most prudent to delay such activities until all costs associated with the State's disposal of the railroad can be fully realized by its sale.

III. CONCLUSION

ARRC views SB 240 as an important modification of the Alaska Railroad Corporation Act and urges that it be favorably considered.

4114L

ALASKA STATE LEGISLATURE

. 15th . Legislature 1st . . . Session

SENATE **BILL**..... NO. 240..

By .. **THE TRANSPORTATION COMMITTEE**

"An Act suspending requirements for reports on arrangements and offers to sell the Alaska Railroad; and providing for an effective date."

Introduced in the Senate ... **4/8**, 19 **87**...

HISTORY IN THE SENATE

19 87

4 8
4 24

Read first time and referred to Committee on

TRANSPORTATION AND FINANCE

Reported back with *Transp.* recommendation that *3 do pass, zero fiscal, to Finance.*

Read second time and

Read third time and

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reconsideration
Reconsideration not taken up

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reported correctly engrossed
Signed by President
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reconsideration
Reconsideration not taken up

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reported correctly engrossed
Signed by Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Chapter No.

Filed with Lt. Governor

ALASKA STATE LEGISLATURE

Sen. Lloyd Jones, Chairman
Sen. John B. "Jack" Coghill, Vice Chairman
Sen. Mitch Abood
Sen. Bettye Fahrenkamp
Sen. Tim Kelly



P.O. Box V
Juneau, AK 99811

907-465-4921

Senate Transportation Committee

MEMORANDUM

TO: The Senate Transportation Committee

FROM: Senate Transportation Committee Staff

DATE: April 23, 1987

SUBJECT: Senate Bill 240, suspending requirements for reports on arrangements and offers to sell the Alaska Railroad.

This bill is the result of the Senate Transportation Committee's expressed interest in delaying the requirement that the first analysis and documentation of potential railroad sale arrangements appear in the corporation's annual report for fiscal year 1994.

The bill extends the due date for the first analysis of potential sale arrangements to fiscal year 1994 which is outside the federal protection period. This action will guarantee that the State will receive the entire proceeds of any sale or transfer of the line. This modification of ARCA will serve the State's best interests. In addition, the Alaska Railroad will be allowed sufficient time following the end of this first five-year period to meaningfully research, prepare, and negotiate sale offers and terms. The growing number of recent disposals of short lines outside emphasizes that such transactions are extremely complex and require a substantial investment of time and money.

Finally, although out-of-pocket expenses associated with any sale of the railroad may be deducted from sale proceeds which must be paid to the United States, there is less certainty about the deductibility of sale costs directly attributed to hundreds of hours of State and Railroad staff time. In light of that uncertainty, it seems most prudent to delay such activities until all costs associated with the State's disposal of the railroad can be fully realized by its sale.