

SB

64

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/7/95

FURTHER: _____

DATE TURNED INTO OFFICE: 4/9/96

The Finance Committee considered **SENATE BILL NO. 64**

Dissolution of the Alaska Railroad Corporation and providing for a successor corporation; efd.

and recommends:

- be replaced with _____ CS SB 64 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical change
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Kivi</i>	✓				
<i>Wendy E. Crisp</i>	✓				
Co-Chair: <i>David</i>	✓				
Co-Chair: <i>Keith Halford</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

SFC/AK.RR	4/9/96		900.0

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

REQUEST:

Revision Date: 4/9/96 Affected Agency: DC&ED
 Title: Relating to sale of the Alaska Railroad BRU: Alaska Railroad
 Sponsor: S (TRA) Components: _____
 Requestor: Senate Finance

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 2000	FY 2001	FY 2002
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	900.0					

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Ak.RR.Receipts	900.0					
TOTAL	900.0					

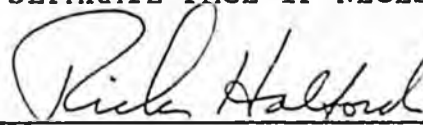
POSITIONS:

Full-Time	0	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

Estimated FY 96 Impact: 0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Prepared By:


 Senator Rick Halford, Co-chair
 Senate Finance Committee

Date: 4/9/96

Phone: 465-4958

4-9-96
pm
SR
maed
Adopted

called 2:30p.m.
Terry -

9-LS0579R
Utermöhle
4/8/96

Please
call
Thanks

Amends
p. 1
p 2
Adopted

CS FOR SENATE BILL NO. 64(FM)

IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE TRANSPORTATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sale of the Alaska Railroad; and providing for an
2 effective date."

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

4 * Section 1. SALE OF THE ALASKA RAILROAD. (a) The governor shall issue by
5 October 1, 1996, a request for proposals to purchase the Alaska Railroad and all other assets
6 of the Alaska Railroad Corporation that are necessary or convenient for the operation of the
7 railroad.

8 (b) By February 15, 1997, the governor shall enter into an agreement to sell the
9 Alaska Railroad to the most responsive offeror who agrees to

10 (1) continue operation of the railroad for a minimum of 20 years following the
11 date of sale of the Alaska Railroad;

12 (2) accept assignment of all contracts, including collective bargaining
13 agreements) and agreements with connecting carriers, shippers, or other persons concerning
14 services, operation, property, and facilities of the Alaska Railroad Corporation, entered into

and retirement obligations (Adopted 4/9/96)
RP Amend.

1 by the Alaska Railroad Corporation and in effect on the date of the sale of the Alaska
2 Railroad, provided that the contracts are assignable under terms of the contract or that the
3 other parties to the contract consent to the assignment; and

4 (3) purchase the Alaska Railroad for an amount that exceeds either the fair
5 market value of the Alaska Railroad and the assets of the Alaska Railroad Corporation that
6 are necessary or convenient for the operation of the railroad or the amount that the State of
7 Alaska has expended to obtain, maintain, and subsidize the Alaska Railroad and the Alaska
8 Railroad Corporation.

9 (c) An agreement to sell the Alaska Railroad under this Act is subject to approval by
10 the legislature. ~~The~~ ^{upon entering into an agreement} ~~governor shall~~ ^{to sell the Alaska Railroad,} ~~submit the agreement~~ ^{immediately} to the legislature for review during
11 a regular session of the legislature. The legislature may disapprove the agreement by a
12 concurrent resolution. If the agreement is not disapproved by the legislature before the
13 adjournment of the regular session during which the agreement was submitted, the agreement
14 is approved. An agreement to sell the Alaska Railroad that has been disapproved by the
15 legislature or that has not been submitted to the legislature for review under this subsection
16 is void.

17 (d) The Alaska Railroad Corporation may not enter into a contract or other agreement
18 that has the effect or purpose of substantially diminishing the value or marketability of the
19 Alaska Railroad.

20 (e) Notwithstanding other provisions of this Act, the State of Alaska shall retain an
21 easement for transportation, communication, and transmission purposes on all land within the
22 right-of-way of the Alaska Railroad received by the state under the Alaska Railroad Transfer
23 Act of 1982 (P.L. 97-468, Title VI; 96 Stat. 2556).

24 (f) The governor shall contract for preparation of a report on the fair market value of
25 the Alaska Railroad and all other assets of the Alaska Railroad Corporation that are necessary
26 or convenient for the operation of the railroad by a qualified railroad appraiser. The results
27 of the appraisal shall be submitted to the legislature by the 10th legislative day of the First
28 Session of the Twentieth Alaska State Legislature. A contract for the appraisal under this
29 section is exempt from AS 36.30.

30 (g) The governor shall report to the legislature by the 10th legislative day of the First
31 Session of the Twentieth Alaska State Legislature regarding the procedures established for and

Adopted
4/19/96
SR
Amend

1 the progress toward the sale of the Alaska Railroad as mandated by this Act.

2 (h) Upon the completion of the sale of the railroad, the governor shall dissolve the
3 Alaska Railroad Corporation. Real property of the Alaska Railroad Corporation that is
4 identified as not necessary or convenient for the operation of the railroad under sec. 2 of this
5 Act shall be transferred to, and managed by, the Department of Natural Resources upon
6 dissolution of the Alaska Railroad Corporation.

7 (i) The governor shall adopt regulations under AS 44.62 to implement this Act.

8 (j) The sale of the Alaska Railroad under this Act is not subject to AS 36.30 or
9 AS 42.40.

10 * Sec. 2. IDENTIFICATION OF ALASKA RAILROAD CORPORATION ASSETS. (a)
11 By August 1, 1996, the governor shall identify all assets, real and personal and tangible and
12 intangible, of the Alaska Railroad Corporation and classify those assets as necessary or
13 convenient for the operation of the railroad or as other assets of the corporation. The
14 governor shall submit the report to the Legislative Budget and Audit Committee.

15 (b) The Legislative Budget and Audit Committee may recommend amendments to the
16 identification or classification of assets listed in the report.

17 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 64 (FIN)

Revision Date: _____ Dept. Affected: Office of the Governor
 Title: "An Act relating to the sale of the Alaska Railroad; and providing for an effective date." BRU: Executive Operations
 Component: Executive Office
 Sponsor: Senate Transportation Committee
 Requester: Senate Finance Committee COMPONENT SERIAL NO. 6

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 100	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	*****	*****	*****	*****	*****	*****

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	*****	*****	*****	*****	*****	*****

Estimate of any current year (FY96) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

No direct fiscal impact on the Office of the Governor - see attached analysis

*Received 4/10/96
after bill
reported out*

Prepared by: Michael A. Nizich, Administrative Director *M. Nizich* Phone: 465-3876
 Division: Administrative Services Date: 4/10/96
 Approved by Commissioner: Jim Ayers, Chief of Staff *J. Ayers* Date: 4/10/96
 Agency: Office of the Governor

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SB 64 Analysis:

SB 64 mandates the sale of the Alaska Railroad by the Governor. Costs associated with:

contracting for an appraisal of the fair market value of the railroad;

identifying and classifying all Alaska Railroad Corporation assets;

developing and adopting any regulations necessary for private operation of the railroad and implementation of the sale;

review and determination of the minimum purchase price necessary to ensure that the state will receive the amount of money spent in connection with the railroad;

developing a request for and evaluating proposals for purchase of the railroad;

and, development of a sales agreement transferring ownership of the assets, contractual agreements, and obligations of the Railroad Corporation to a private entity;

would have no direct fiscal impact on the Executive Office. However, various Executive Branch agencies would be directed to carry out the mandates of SB 64 on behalf of the Governor, and these agencies could incur significant costs. The various agencies should be identified and submit the necessary fiscal notes for participation in the sale process.

OK
Sheila For SK
Larry

9-LS0579\U

CS FOR SENATE BILL NO. 64(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE TRANSPORTATION COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the sale of the Alaska Railroad; and providing for an
2 effective date."

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

4 * Section 1. SALE OF THE ALASKA RAILROAD. (a) The governor shall issue by
5 October 1, 1996, a request for proposals to purchase the Alaska Railroad and all other assets
6 of the Alaska Railroad Corporation that are necessary or convenient for the operation of the
7 railroad.

8 (b) By February 15, 1997, the governor shall enter into an agreement to sell the
9 Alaska Railroad to the most responsive offeror who agrees to

10 (1) continue operation of the railroad for a minimum of 20 years following the
11 date of sale of the Alaska Railroad;

12 (2) accept assignment of all contracts, including collective bargaining
13 agreements and retirement obligations and agreements with connecting carriers, shippers, or
14 other persons concerning services, operation, property, and facilities of the Alaska Railroad

1 Corporation, entered into by the Alaska Railroad Corporation and in effect on the date of the
2 sale of the Alaska Railroad, provided that the contracts are assignable under terms of the
3 contract or that the other parties to the contract consent to the assignment; and

4 (3) purchase the Alaska Railroad for an amount that exceeds either the fair
5 market value of the Alaska Railroad and the assets of the Alaska Railroad Corporation that
6 are necessary or convenient for the operation of the railroad or the amount that the State of
7 Alaska has expended to obtain, maintain, and subsidize the Alaska Railroad and the Alaska
8 Railroad Corporation.

9 (c) An agreement to sell the Alaska Railroad under this Act is subject to approval by
10 the legislature. Upon entering into an agreement to sell the Alaska Railroad, the governor
11 shall immediately submit the agreement to the legislature for review during a regular session
12 of the legislature. The legislature may disapprove the agreement by a concurrent resolution.
13 If the agreement is not disapproved by the legislature before the adjournment of the regular
14 session during which the agreement was submitted, the agreement is approved. An agreement
15 to sell the Alaska Railroad that has been disapproved by the legislature or that has not been
16 submitted to the legislature for review under this subsection is void.

17 (d) The Alaska Railroad Corporation may not enter into a contract or other agreement
18 that has the effect or purpose of substantially diminishing the value or marketability of the
19 Alaska Railroad.

20 (e) Notwithstanding other provisions of this Act, the State of Alaska shall retain an
21 easement for transportation, communication, and transmission purposes on all land within the
22 right-of-way of the Alaska Railroad received by the state under the Alaska Railroad Transfer
23 Act of 1982 (P.L. 97-468, Title VI; 96 Stat. 2556).

24 (f) The governor shall contract for preparation of a report on the fair market value of
25 the Alaska Railroad and all other assets of the Alaska Railroad Corporation that are necessary
26 or convenient for the operation of the railroad by a qualified railroad appraiser. The results
27 of the appraisal shall be submitted to the legislature by the 10th legislative day of the First
28 Session of the Twentieth Alaska State Legislature. A contract for the appraisal under this
29 section is exempt from AS 36.30.

30 (g) The governor shall report to the legislature by the 10th legislative day of the First
31 Session of the Twentieth Alaska State Legislature regarding the procedures established for and

1 the progress toward the sale of the Alaska Railroad as mandated by this Act.

2 (h) Upon the completion of the sale of the railroad, the governor shall dissolve the
3 Alaska Railroad Corporation. Real property of the Alaska Railroad Corporation that is
4 identified as not necessary or convenient for the operation of the railroad under sec. 2 of this
5 Act shall be transferred to, and managed by, the Department of Natural Resources upon
6 dissolution of the Alaska Railroad Corporation.

7 (i) The governor shall adopt regulations under AS 44.62 to implement this Act.

8 (j) The sale of the Alaska Railroad under this Act is not subject to AS 36.30 or
9 AS 42.40.

10 * Sec. 2. IDENTIFICATION OF ALASKA RAILROAD CORPORATION ASSETS. (a)
11 By August 1, 1996, the governor shall identify all assets, real and personal and tangible and
12 intangible, of the Alaska Railroad Corporation and classify those assets as necessary or
13 convenient for the operation of the railroad or as other assets of the corporation. The
14 governor shall submit the report to the Legislative Budget and Audit Committee.

15 (b) The Legislative Budget and Audit Committee may recommend amendments to the
16 identification or classification of assets listed in the report.

17 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

4/9/96 JFC/FN
 900.0
 R.R.
 Receipts
 5044
 4/7/96

non-GF
 No. 1

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

BILL

Bill Version: _____
 (S) Publish Date: 4/7/96

Revision Date: _____ Dept. Affected: _____
 Title: An Act Relating to the Dissolution BRU: _____
of the Alaska Railroad Corporation. Component: _____
 Sponsor: Senate Transportation Committee
 Requester: Senator Rieger COMPONENT SERIAL NO. _____

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1006 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: 5 _____

POSITIONS	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The costs to sell and appraise the Alaska Railroad Corporation are unknown.

During the 1964-1985 process to sell the Alaska Railroad to the State of Alaska, the U. S. Government spent an estimated \$1.7 million for various studies, appraisals, and financial assessments. The State of Alaska expended an estimated \$2.0 million for acquisition assessments, facilities assessments, legal advice, analysis of USRA evaluation and transfer report.

Prepared by: James B. Blasingame Phone: 907-265-2680
 Division: _____ Date: 2/7/95
 Approved by: President & CEO
 Agency: Robert S. Hatfield, Jr. Date: _____

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Adopted 4/8/95
9-LS0579M.1
Utermohle
4/8/95

RECEIVED
APR 10 REC'D

AMENDMENT

OFFERED IN THE SENATE
TO: CSSB 64(TRA)

BY SENATOR RIEGER

SENATE FINANCE
COMMITTEE
Amendment Number: 1
Bill Number: SB 64
Sponsor: Rieger Date: 4/10/95
Logged In By: [Signature]

1 Page 1, line 14, following "corporation":
2 Insert "as provided under sec. 4 of this Act"

3 Page 2, following line 9:
4 Insert a new subsection to read:

5 "(g) The records of the Alaska Railroad Corporation, including records
6 received by the corporation as a result of the transfer of the federally owned Alaska
7 Railroad to the State of Alaska, are state property subject to the disposition under this
8 subsection and other applicable law not contrary to this subsection. Upon the transfer
9 of the liabilities and assets of the Alaska Railroad Corporation to the successor
10 corporation under sec. 4 of this Act,

11 (1) notwithstanding AS 40.21, those records necessary for the
12 continuing operation of the successor corporation, as determined by the Alaska
13 Railroad Corporation, shall be transferred to the successor corporation for its use; if
14 the records transferred to the successor corporation are no longer needed by the
15 successor corporation, or if the successor corporation is dissolved or otherwise ceases
16 to exist, the records shall be returned to the state for disposition under this subsection;

17 (2) those records not transferred to the successor corporation under (1)
18 of this subsection and those records returned to the state by the successor corporation
19 are subject to disposition under AS 40.21 and other applicable state law."

20 Page 3, line 6:
21 Delete "The"
22 Insert "Except as provided under sec. 1(g) of this Act, the"

Alaska State Legislature

Senator Steve Rieger, Chair
Senator Robin Taylor, Vice Chair
Senator Lyda Green
Senator Al Adams
Senator Georgianna Lincoln



State Capitol
Room 516
Juneau, Alaska 99801
(907) 465-4921

Senate Committee on Transportation

MEMORANDUM

April 7, 1995

TO: Senate Rick Halford, Co-Chair
Senate Finance Committee

FROM: Senator Steve Rieger, Chairman *AA*
Senate Transportation Committee

RE: Hearing Request for SB 64

RECEIVED

APR 8 1995

Senate Bill 64 "An Act relating to the dissolution of the Alaska Railroad Corporation and providing for a successor corporation; and providing for an effective date" was introduced by the Senate Transportation committee and is now in the Senate Finance Committee. I would appreciate your favorable consideration for a Senate Finance hearing on this bill.

Alaska State Legislature

Senator Steve Rieger, Chair
Senator Robin Taylor, Vice Chair
Senator Lyda Green
Senator Al Adams
Senator Georgianna Lincoln



State Capitol
Room 516
Juneau, Alaska 99801
(907) 465-4921

Senate Committee on Transportation

RECEIVED

APR 6 REC'D

Sponsor Statement on SB 64

SB 64 is intended to be a step toward privatization of the Alaska Railroad. It creates a capital structure for the Alaska Railroad Corporation in which ownership is represented by shares of stock. The stock can then be transferred to private ownership through sale.

The state's ownership of the Alaska Railroad has created a difficult situation both for the state and for the management of the railroad. Business decisions made by the railroad in a competitive environment are criticized by other businesses as unfair competition and the legislature is asked to intervene, in effect second-guessing the railroad's decisions. The railroad for its part is not developing its holdings to their fullest extent, for example in the railroad's policy of not taking equity positions in non-transportation-related business. In effect, as long as the Alaska Railroad is in state ownership it is subject to political concerns as well as business judgement.

The result is a situation in which the Alaska Railroad is not maximizing its potential.

SB 64 will not in itself privatize the railroad. However the change in capital structure should greatly facilitate the transfer to private ownership. As the percentage of private ownership increases, the railroad will become more like a private business. Once a majority of the shares are in private hands, the transition to a business entity will essentially be complete.

CS for Senate Bill No. 64 (TRA)

"An Act relating to the dissolution of the Alaska Railroad Corporation and providing for a successor corporation; and providing for an effective date."

General Comments

The Senate Transportation Committee Substitute for Senate Bill No. 64 addresses many of the specific concerns raised by the Alaska Railroad Corporation (ARRC). We appreciate the Committee's efforts in this regard.

The ARRC Board of Directors has not adopted a formal position on the proposed legislation. Under the Alaska Railroad Corporation Act (ARCA), we understand it is our responsibility to operate the railroad as a self-sustaining entity pending its eventual transfer into the private sector. Whether to privatize the Alaska Railroad, and how best to achieve this goal, involve important issues. It has generally been our view that these issues are more appropriately the purview of the legislature and governor.

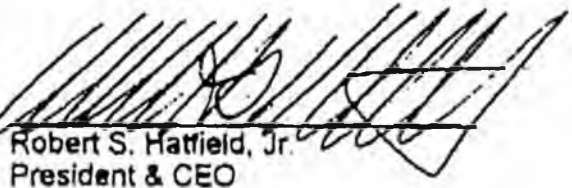
CSSB 64 (TRA) represents a thoughtful approach to achieve the goal of establishing a viable private sector entity to own and operate the railroad. Whether it will work (i.e., whether the stock shares will be marketable) is unknown. The legislature may want to analyze this question in detail before setting into motion the dissolution of the current state-owned corporation.

Trustee Concept

Another issue to note relates to the operation and management of the railroad during the interim period between establishing the new corporation and disposing of the stock shares. The ARRC previously suggested using a trust mechanism with a qualified financial institution as one method to consider. Under this approach, the appointed trustee would be under a fiduciary obligation to control the stock in the best interests of the new successor corporation and would also be required to actively seek a buyer for the stock. The trust agreement could also provide that the governor would have the final approval of any sale of the stock.

Section 3(d) was added in the CS as a way to allow examination of the trustee concept. However, as presently structured it will take a subsequent act of the legislature to take this step if recommended by the examination. The trustee approach may offer the best chance for the new entity to operate independently with the minimum amount of interference. The ARRC respectfully suggests more consideration of the trustee idea as this bill moves through the legislature, perhaps with the addition of specific and pertinent sale conditions designed to attract potential buyers.

I trust this responds to the request for a position paper on the CS. The ARRC stands ready to continue working with the legislature on this matter.


Robert S. Hatfield, Jr.
President & CEO

4/10/95
Date

Suggested change to Amendment to CSSB 64 (TRA)

Page 1, lines 11-19, delete and insert as indicated below:

"(1) notwithstanding AS 40.21, those records necessary for the continuing operation of the successor corporation, as determined by the Alaska Railroad Corporation, shall be transferred to the successor corporation for its use or the use of any successor to that corporation; if the records transferred to the successor corporation are no longer needed by [THE] any successor corporation [OR IF THE SUCCESSOR CORPORATION IS DISSOLVED OR OTHERWISE CEASES TO EXIST], the records shall be returned to the state for disposition under this subsection;

(2) those records not transferred to the successor corporation under (1) of this subsection and those records returned to the state by [THE] any successor corporation are subject to disposition under AS 40.21 and other applicable state law."

5B64

DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

907) 463-3867 or 463-2450
FAX: 907) 463-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

January 30, 1995

SUBJECT: Corporate Structure of Alaska Railroad
(Work Order No. 9-LS0579\A)

TO: Senator Steve Rieger

FROM: George Utermohle *GU*
Legislative Counsel

RECEIVED
APR 10 REC'D

This memorandum accompanies the bill that you requested relating to the corporate structure of the Alaska Railroad.

The bill mandates that the board of directors of the Alaska Railroad Corporation incorporate a new private corporation under the Alaska Corporations Code (AS 10.06). This new corporation, the successor corporation, will replace the current Alaska Railroad Corporation. Thirty days after the election of the board of directors of the successor corporation, the assets and liabilities of the Alaska Railroad Corporation will be transferred to the successor corporation and the Alaska Railroad Corporation (AS 42.40) will be repealed.

The draft bill establishes a mandate and the authority to dissolve the Alaska Railroad Corporation in favor of a successor corporation. However, the bill establishes only the barest framework for the complicated transactions that will be necessary to achieve the purposes of the bill. Broad discretion is delegated to the board of directors of the Alaska Railroad Corporation and the Governor to implement this bill.

In exchange for transferring certain assets of the Alaska Railroad Corporation to the successor corporation, the state receives all shares of stock issued in the successor corporation. The successor corporation is to be a private corporation subject to all laws that apply to private corporations, including taxation and antitrust laws. The successor corporation is not a state agency, public corporation, or other state entity. The state's ownership of shares in the successor corporation does not make it a public corporation any more than state investment in shares of IBM makes IBM a public corporation.

Though the successor corporation is not a public corporation, the state, as shareholder, will be liable for any liabilities of the corporation that exceed the value of its assets if such a situation should ever occur while the state still holds shares in the corporation. Also,

Senator Steve Rieger

January 30, 1995

Page 2

numerous rights and obligations bestowed upon persons by virtue of their status as shareholders in a corporation under AS 10.06 will fall upon the state.

The bill provides that the successor corporation shall pay dividends to shareholders if, on the last day of the corporation's fiscal year, the state holds more than 50 percent of the initial shares issued in the corporation. The dividend must equal or exceed 30 percent of the corporation's net earnings for the fiscal year.

If I may be of further assistance, please advise.

GU:klb

95-022.klb

Enclosure

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/3/95

FURTHER: State Affairs
 Finance

Date of 5-Day Notice: 2-2-95
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/6/95

Transportation Committee considered SENATE BILL NO. 64

"An Act relating to the dissolution of the Alaska Railroad Corporation and providing for a successor corporation; and providing for an effective date."

and recommends:

- be replaced with CS SB 64 (TRA)
- adopt previous CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

OKN

- Senate Bill: same title
- new title
- House Bill: technical change
- new: SCR* _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Lynda Green</i>	<input checked="" type="checkbox"/>	<i>See Column 3</i>	<input checked="" type="checkbox"/>		
<i>John Taylor</i>	<input checked="" type="checkbox"/>				
CHAIR: <i>Steve Kivi</i>	<input checked="" type="checkbox"/>				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

<i>Alaska Railroad</i>	<i>2/7/95</i>	<input checked="" type="checkbox"/>	

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill