

HB

319

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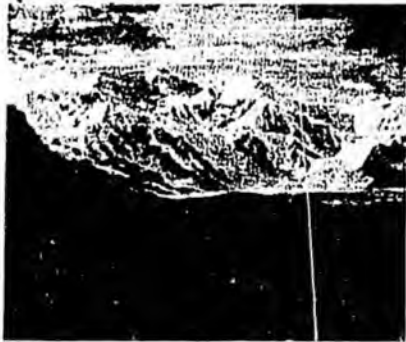
FILE



Accelerated Transportation Bonds

HB 319

Alaska Department of Transportation and Public Facilities



Summary

Accelerated Transportation Bonds

X HB 319 allows the state to issue general obligation (GO) bonds for transportation projects using future federal highway funds to repay 91% of the debt.

Benefits of transportation bonds

Pay-as-you-go financing of costly projects can leave few additional revenues for other projects. Bond financing allows a project to be built sooner and it is more cost-effective by avoiding cost increases resulting from inflation. By delivering a project earlier than would otherwise be possible, bond financing also provides greater benefit to the public (for example, increased safety, less traffic congestion and delays, and increased economic output). Perhaps the biggest possible benefit is eliminating the need for general funds by using investment earnings on bond proceeds to meet federal match requirements.

How federally supported bonds work

The National Highway System Designation Act of 1995 expanded the types of bond-related costs that could be financed with federal highway funds. The federal Transportation Equity Act for the 21st Century (TEA-21) increased annual funding for states. States can now use a portion of those funds for debt-financing.

Any project that is eligible for federal highway funds and contained in the State Transportation Improvement Program (STIP) is eligible for bond financing. The bonds are repaid by future federal reimbursements for the specific projects.

Impact of TEA-21 on bonds

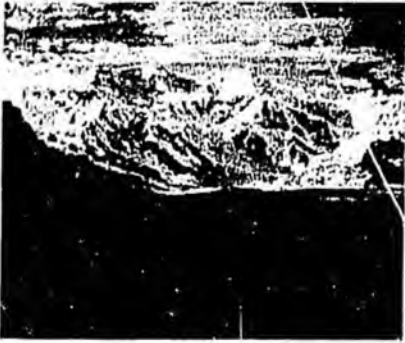
How a bond is received in the financial market depends in part on the predictability of future revenue streams. TEA-21 provides states with a minimum guarantee of federal funding. This reduces the risk of federal funds not materializing within the authorization period of the act. Federal transportation allocations should increase over time as motor fuel use increases.

Good market response to federally supported transportation bonds

To date, several states, including Massachusetts, New Mexico, Mississippi and Ohio, have issued these bonds. The projects vary in complexity and costs from \$116 million to \$600 million. Several other states have passed enabling legislation to authorize the use of the bonds.

The bond market views these bonds favorably. The additional "full faith and credit" pledge of the state provided by GO bonds will strengthen Alaska's bond rating for these bonds. New Mexico, Massachusetts, Mississippi and Ohio's bonds received ratings of A3, Aa3, Aa1 Aa3, respectively from Moody's.

Because Alaska's constitution lacks authority for issuing long-term revenue anticipation bonds, Alaska's bonds will be issued as GO bonds, providing the strongest backing possible by the state.



Accelerated Transportation Bonds

Benefits

- X Anticipate eliminating the need for State General Fund match support for bond projects. Using interest earnings will save over \$48 million in State General Funds.
- X Future inflation costs can be avoided by building projects with “current” dollars.
- X Debt service payments on bonds will come from federal highway funds.
- X Frees up funds for other STIP projects.
- X Projects can be built sooner than originally scheduled. Projects needed now can be built now.
- X Large projects built without impacting remainder of highway construction program.
- X Early public use of completed projects.
- X Early implementation of Southeast Transportation Plan.
- X Increased percentage of private sector design contracts.
- X Improved safety, reduced congestion, increased economic output.

\$350 Million Accelerated Transportation Projects



Accelerated Transportation Bonds

Project Criteria

- X Projects that address safety, capacity, and economic development needs throughout state
- X Projects that can be completed within five to six years
- X Large projects that may otherwise not be done for many years because of their size

\$350 million includes bond issuance costs

Project List

Anchorage:

C Street Phase II & III – Potter Road to Minnesota \$70,000,000

Glenn Highway – Gambie Street to McCarrey Street \$65,000,000

Fairbanks:

University Avenue Widening \$20,000,000

Illinois/Barnette Street Reconstruction \$25,000,000

Downtown Fairbanks Street Rehabilitation \$10,000,000

Mat-Su:

Parks/Glenn Highway Interchange Reconstruct Glenn Highway to Palmer \$60,000,000

Southeast Alaska Transportation Plan:

2 Shuttle Ferries \$70,000,000

Bethel:

Chief Eddie Hoffman Highway – Pav. \$5,500,000

Dillingham:

Pave 15 miles Aleknagik Road \$9,000,000

Kotzebue:

Ted Stevens Way Reconstruction \$11,500,000
Shore Avenue Reconstruction

Nome:

Bering, Seppala, and Front Street Rehabilitation \$4,000,000

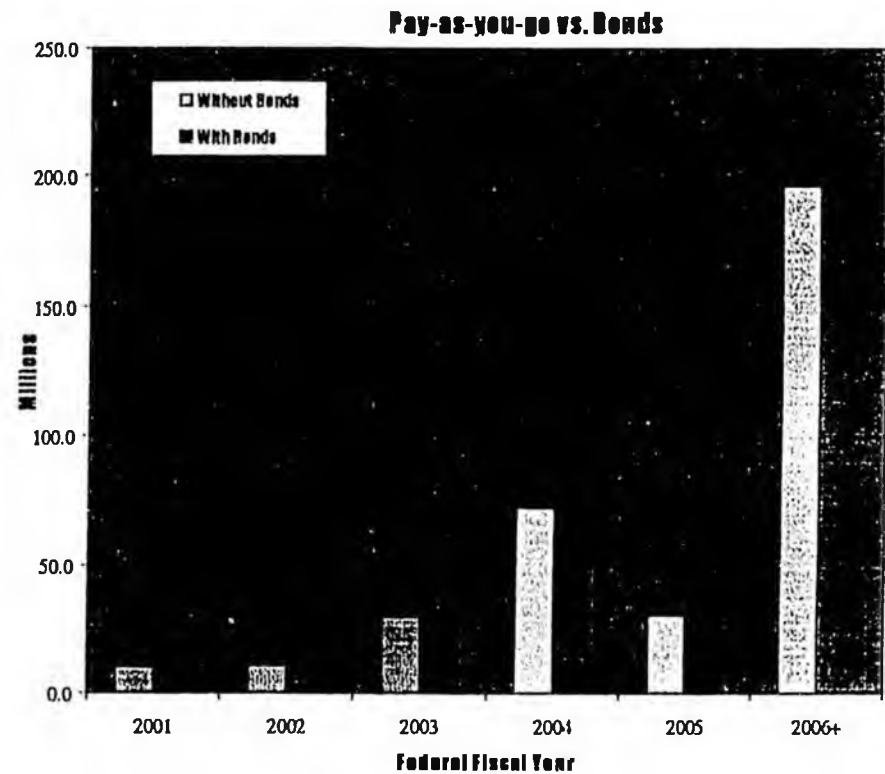
Construction Schedule Comparison for Bond Projects

Accelerated Transportation Bonds

Federal Fiscal Year	Schedule Without Bonds	Schedule With Bonds
2001	10.1	25.6
2002	10.5	41.6
2003	29.8	123.1
2004	73.1	117.3
2005	30.3	42.5
2006+	196.3	0.0
Total	350.0	350.0

(\$ million)

This schedule reflects current year dollars and does not include costs of inflation if projects were done over an extended period of time.





Accelerated Transportation Bonds

Achievable Objectives

- X To maintain state's "Aa, AA, AA" bond ratings (Moody's Standard & Poors, & Fitch IBCA).
- X Lock-in today's construction cost and reduce exposure to inflation..
- X To accelerate the construction benefit.
- X To achieve increases in safety and economic development.
- X To reduce requirement for general funds.
- X To advance other projects in the STIP.
- X To maintain Alaska construction industry's capacity to design and build.
- X To structure issuance to minimize impact on the state's debt capacity.



Accelerated Transportation Bonds

- X General Obligation Bonds
 - Voter approval November 2000
- X “Double barreled” bonds expected to be rated at least “Aa”
 - 1) Federal highway funds will be used to pay debt
 - 2) Backed by full faith and credit of the state

Existing state ratings are “Aa, AA, AA”

Structured to minimize impact on State’s debt capacity

State General Funds only used if annual federal highway funding is stopped

- X Good debt service coverage (8-10x)
- X Relatively short maturity (15-18 years)
- X First principal payment September 2003
- X Annual debt service payments approx. \$34-37 million



Cash Funding Vs. Bonding

Accelerated Transportation Bonds

Cash Funded (STIP)

- X Cash funded projects are stretched out over time.
- X Large cash funded projects reduce the amount of dollars available each year for other needed statewide projects
- X Cost of construction will be greater if project construction is stretched out over a longer period of time.
- X \$48.7 million General Fund match requirement.

Accelerated Bonding

- X Bond funded projects can be built in shorter period of time.
- X \$350 million in projects will be built within 6 years with only a 10-12% reduction in the annual highway program for debt service payments.
- X No negative impact on current STIP because first full debt payment is Sept. 2003
- X Investment earnings should eliminate need for General Funds.



Accelerated Transportation Bonds

States issuing transportation bonds

Issuer	Underlying Ratings (Moody's)	Pledged Revenues	Amount
New Mexico	A3	Future Federal funds	\$295 million total (\$100.23 million initial issuance)
New Jersey Transit Authority	A1	Future Federal funds, (FTA), Motor Fuel Tax, Registration Fees and Toll Fees	\$700 million (authorized)
Massachusetts	Aa3	Future Federal funds Gas Tax	\$1.5 billion total (\$600 million initial issuance)
Mississippi	Aa1	Future Federal funds, Oil Tax, Contractor Tax, Fuel Tax, Tug Fees	\$200 million
Ohio	Aa3	Future Federal funds	\$70 million

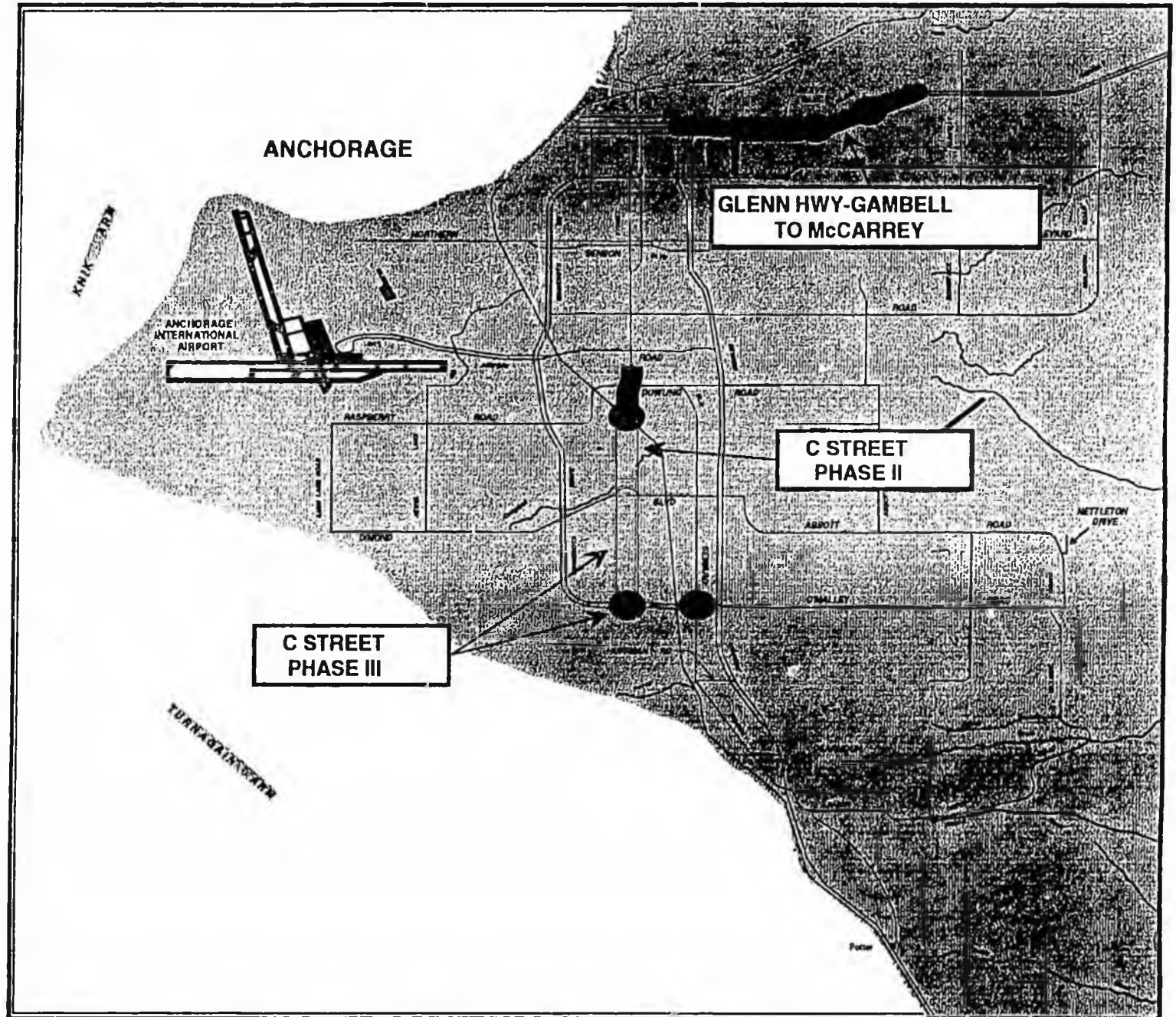
Other states issuing accelerated bonds:

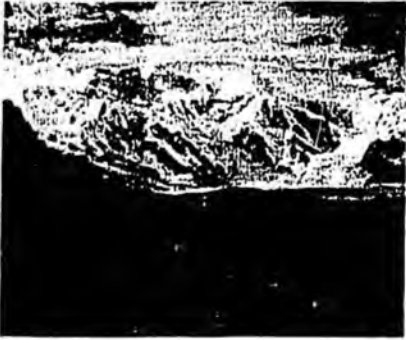
Colorado, Florida, California, Arkansas, Maryland, Missouri, Virginia, Arizona

Anchorage Projects



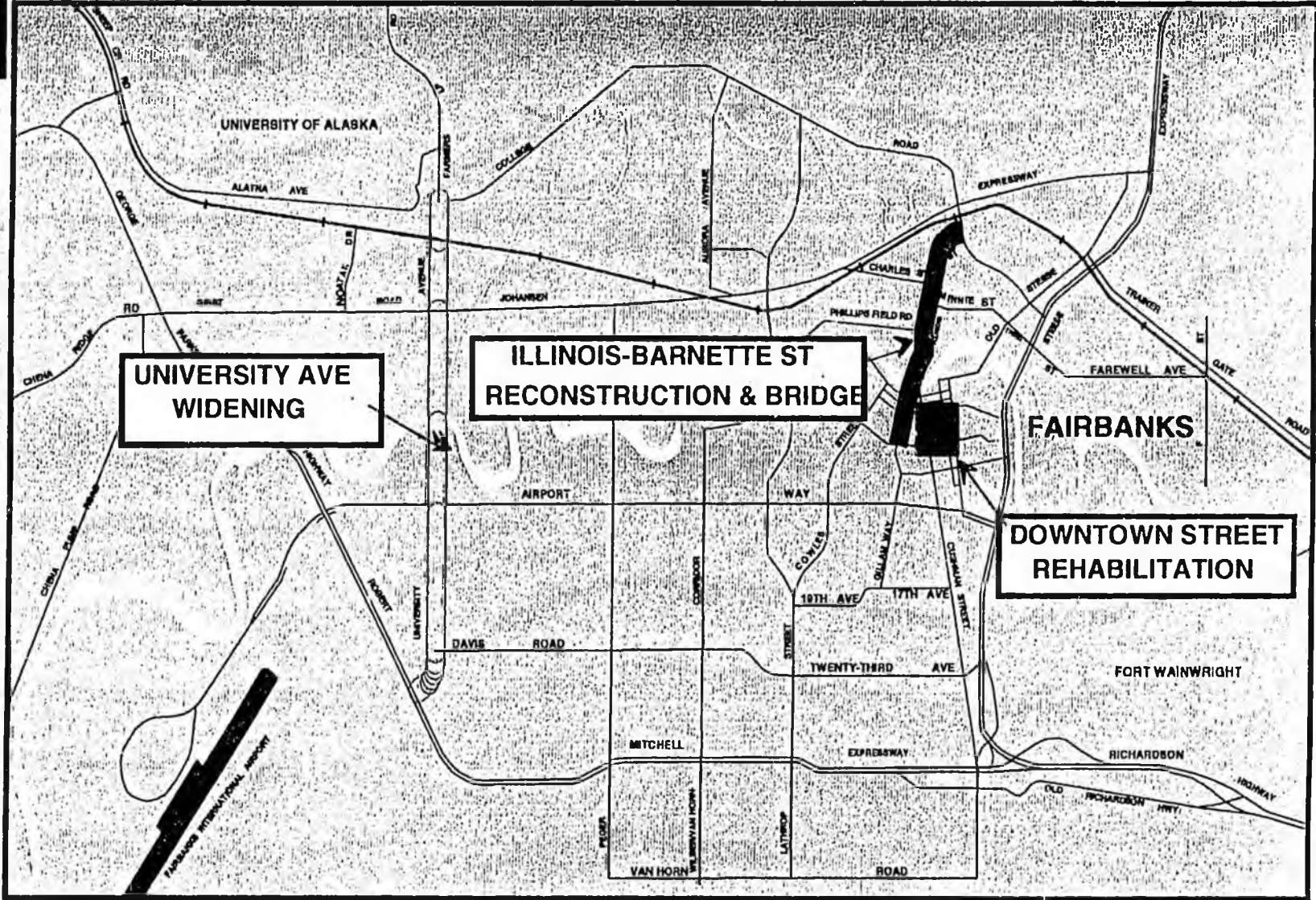
Accelerated Transportation Bonds





Fairbanks Projects

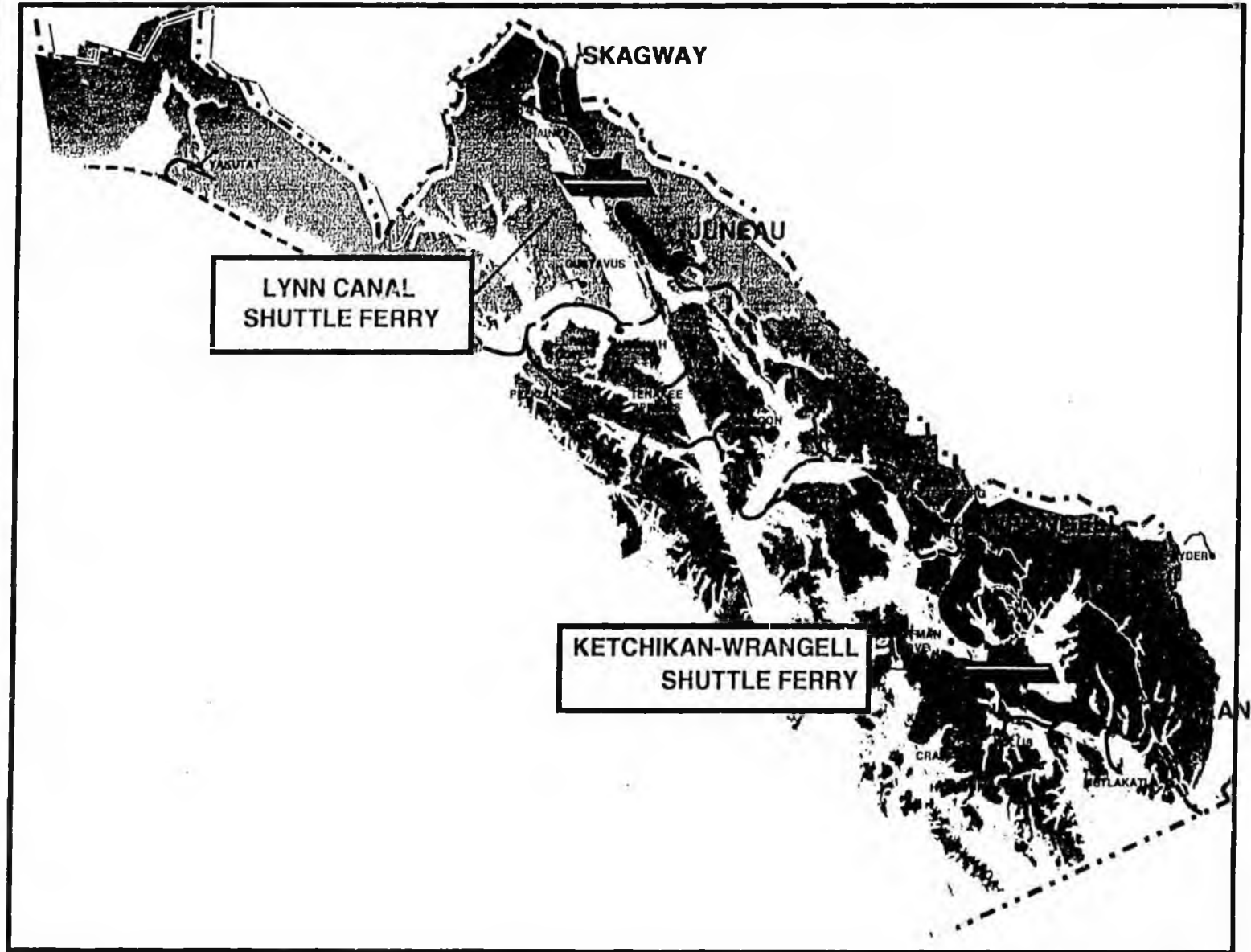
Accelerated Transportation Bonds





Southeast Projects

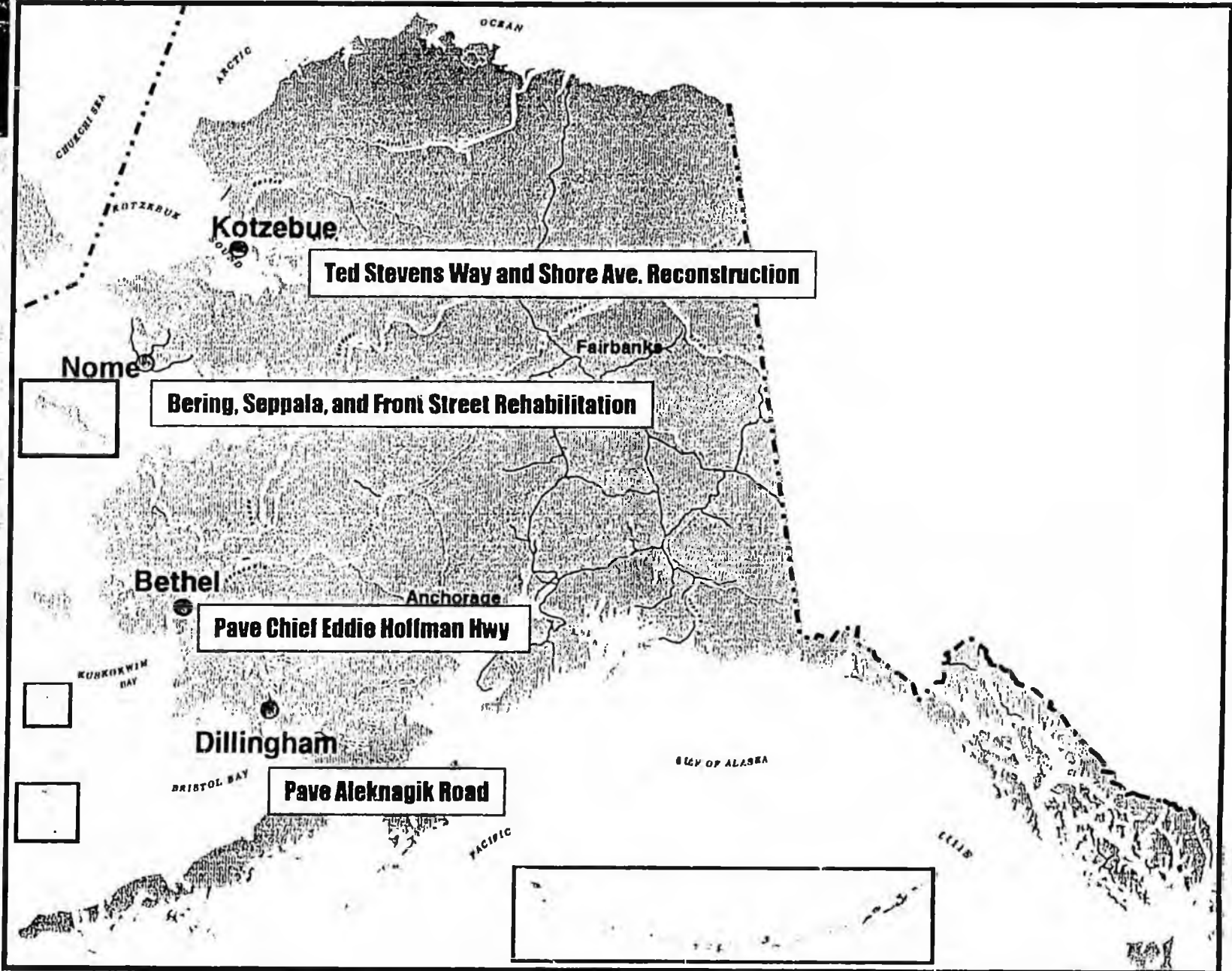
Accelerated Transportation Bonds





Rural Projects

Accelerated Transportation Bonds



ACCELERATED TRANSPORTATION PLAN
HB 319 & SB 218

Position Paper of
The Associated General Contractors of Alaska

ISSUE: On January 24, 2000, Governor Knowles announced a plan to utilize state bonding to accelerate the construction of transportation projects. The proposed \$350 million package contained projects from all over the State and included many high priority items. The purpose of this approach is to acquire additional funding to permit the undertaking of these projects years in advance of the current plan.

The proposal must be approved first by the legislature and then by voters in November. The source of repayment for the bonds will be from future federal highway revenue sharing funds. If approved, the initial bonds are anticipated to mature in 15 years. Arbitrage earnings are expected to offset interest costs from the bonds.

ADVANTAGES: The plan will allow the state to accelerate major projects. Under this concept the state could control the timing of the project advertising and construction to coincide with the Alaska construction climate rather than the inflow of federal monies. Phased over a four to five year period, the plan would increase construction activity by approximately \$75 - \$125 million per year. In summary the plan would increase construction activity, permit earlier and better project scheduling, and result in lower costs by avoiding future inflation.

DISADVANTAGES: The plan was obviously crafted with a view toward statewide public acceptance. Most likely if you support one project, you are forced to support the package. Some AGC members are offended by the inclusion of two high-speed ferries, but must support their inclusion to benefit from the projects they support. Some other problems include: the possibility of over-heating the construction market; the additional maintenance funds that will be needed for these projects; the selection process for new projects to replace those completed; the impact on the general fund of any difference between bond cost and arbitrage earnings; and, the ultimate bond payoff and the impact on future construction.

AGC POSITION

AGC believes that the advantages listed above outweigh the potential disadvantages. However, as the plan is developed the questions concerning maintenance funds, selection of future projects, impact on the general fund and other funding avenues, plus the ultimate bond payoff should be addressed. The concept set forth by the governor has merit, but the plan should be modified to consider these items



CITY/BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

ALASKA'S CAPITAL CITY

OFFICE OF THE MAYOR

Telephone: (907) 586-5240; Facsimile: (907) 586-5385
Dennis_Egan@ci.juneau.ak.us

March 17, 2000

The Honorable Eldon Mulder, Co-Chair
The Honorable Gene Therriault, Co-Chair
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

The Honorable Sean Parnell, Co-Chair
The Honorable John Torgerson, Co-Chair
Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

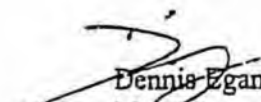
Dear Representatives Mulder and Therriault and Senators Parnell and Torgerson:

The geography of Southeast Alaska presents transportation challenges not common in other parts of the State. For some time now, the transportation system in northern Lynn Canal has been in need of essential improvements. We are most grateful for your efforts to address this situation.

We are writing in support of Governor Knowles' Southeast Alaska Transportation Plan and Accelerated Transportation Plan for additional and improved ferry service for Southeast Alaska. We believe this to be a necessary first step in the lengthy process to finally reduce the cost and increase the ease of travel in northern Lynn Canal. We trust that the same level of careful study that was invested in the Juneau Access EIS will be applied to whatever vessels are ultimately selected for this interim ferry service.

The City and Borough of Juneau is also on record supporting a highway from Juneau to connect with the established road system to the north. Governor Knowles has publicly stated that the preferred alternative of the Juneau Access DRAFT environmental impact study (EIS) is a road. We respectfully request that the Legislature authorize the additional funding necessary to complete this Juneau Access EIS.

Sincerely,


Dennis Egan
Mayor

Attachments: CBJ Resolutions 1911, 1919, and 2003



Southeast Alaska Conference of Mayors

213 Third Street - Suite 124

Juneau, AK 99801

phone: (907) 463-3445 Fax (907) 463-5670

March 10, 2000

The Honorable Tony Knowles
Office of the Governor
P.O. Box 110001
Juneau, Alaska 99811-0001

Dear Governor Knowles:

Thank you and Lt. Governor Ulmer for visiting with the Southeast Mayors at our January 25, 2000 meeting here in Juneau. We appreciate the time you spent with us to discuss the concerns of the communities of Southeast Alaska. We were very pleased that you chose our meeting to announce the appointment of Bob Doll as Southeast Regional Director for DOT and George Capacci as General Manager of the Alaska Marine Highway System. Our members have had a very good working relationship with these gentlemen and commend you for an excellent selection. We look forward to a working with you and the DOT team to improve the transportation system for the residents of the region.

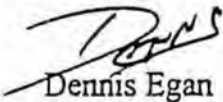
At our January meeting the Mayors spent considerable time discussing the Southeast Alaska Transportation Plan implementation as well as your announcement for a fast ferry connection from the Juneau Auke Bay Terminal north to Haines and Skagway. They asked me to convey their thoughts to you.

The Southeast Conference of Mayors has supported the Alaska Marine Highway System since its inception. The Mayors realize the importance of the AMHS to the economic and social life of the region. In fact, the Mayors and communities of Southeast created the Southeast Conference in 1956 to promote the establishment of the AMHS. They continue to support transportation as an essential component of the region's well-being. The Mayors as well as others in the region have been heavily involved in the development of the Southeast Alaska Transportation Plan. That plan is now in the implementation phase. The Mayors strongly support continued funding as well as personnel support to carry out the plan.

The Mayors also discussed your proposal for a fast ferry from Auke Bay to Haines and Skagway. They supported this approach as the best interim solution while long term funding for the preferred alternative is explored. However, the Mayors concluded that a terminal at Cascade point is a reasonable option. Cascade Point may offer the opportunity to reduce the distance and travel time of the fast ferry which may lead to increased service options for the traveler and increased revenue to the system. The Mayors ask that you request DOT to explore the Cascade Point option for a Juneau North terminal and report the findings for possible adoption into the Southeast Alaska Transportation Plan.

Thank you for your attention to the needs of Southeast Alaska.

Sincerely,



Dennis Egan

Chair

SE Conference of Mayors

CC: Lt. Governor Fran Ulmer
Joe Perkins, Commissioner DOT
Bob Doll, SE Regional Director
George Capacci, General Manager AMHS
Rep. Eldon Mulder, Co Chair – House Finance Committee
Rep. Gene Therriault, Co Chair – House Finance Committee
Sen. Sean Parnell, Co Chair – Senate Finance Committee
Sen. John Torgerson, Co Chair – Senate Finance Committee

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 319

Revision Date/Time (Note if correction) March 13, 2000 - Noon Dept. Affected Revenue
 Title Transportation Revenue Anticipation Bonds BRU Revenue Operations
 Component Treasury Division
 Sponsor Rules Committee
 Requester House Finance Component Serial No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel (Marketing & Selling Bonds)	15.0	15.0	15.0			
Contractual (Paying Agent)		15.0	15.0	15.0	15.0	15.0
Supplies	1.0	1.0	1.0			
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	0.0	21,385.5	21,385.5	37,786.3	37,750.8	37,711.0
TOTAL OPERATING	16.0	21,416.5	21,416.5	37,801.3	37,765.8	37,726.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts		12,825.0	17,642.8	14,897.2	37,750.8	37,711.0
1003 GF Match		0.0	0.0	0.0	0.0	0.0
1004 GF	16.0	31.0	31.0	15.0	15.0	15.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Investment Income)		8,560.5	3,742.7	22,889.1		
TOTAL	16.0	21,416.5	21,416.5	37,801.3	37,765.8	37,726.0

Estimate of current year (FY00) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 See attached.

Prepared by Deven Mitchell, Debt Manager
 Division Treasury Division
 Approved by Wilson L. Condon
 Commissioner Department of Revenue
 Agency

Phone 465-3750
 Date/Time 3/19/00
 Date 3/13/00

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DEPARTMENT OF REVENUE'S ANALYSIS

LEGISLATION

The bill authorizes \$350 million in bonds to fund transportation projects statewide. The bonds are general obligations of the State of Alaska, and will require voter approval. It is anticipated that approximately 90.1% of the debt service on the bonds will be paid with federal funds.

Assuming an annual interest cost of 6.22% (approximately 0.75% above current rates), no principal payments during the first 2.5 years and a 15-year term, we project the annual debt service will level out at approximately \$37.8 million in FY 2004. That would be about 10% of Federal Highway Administration funding granted to the state each year.

STATE MATCH ANALYSIS

The state's match for debt service is projected to be approximately \$3.4 million annually, or \$48,669,929.92 cumulatively, if paid as the bonds matured. However, it is anticipated that all of the state's match requirement will be paid from investment earnings on the bonds during the first five years after issuance. As the state receives credit for making these payments in advance -- through a present-value calculation -- it is projected that payments of approximately \$35.2 million made during the first three years following issuance will satisfy the entire state match requirement.

The state hasn't obtained final approval from the Federal Highway Administration but has obtained an initial ruling allowing investment earnings on the funds obtained through the bond sale to be used for the state's 9.1% match requirement. As the attached analysis shows, the ruling appears to eliminate the state's general fund match requirement for obtaining federal funds. The Alaska Department of Transportation is in the process of obtaining final approval through what is called a TE-045 application (for innovative financing) with the Federal Highway Administration.

PLAN OF FINANCE

All \$350 million in authorized bonds will be issued as quickly as possible. Assuming this legislation is approved, and the residents of Alaska ratify the issuance in the Nov. 2, 2000 general election, it is anticipated the bonds could be issued by March 2001. The projected cash flows draw funds during the construction period of four and a half years. The funds will be invested during the construction period and those earnings will be available to provide the state's match. It is projected that earnings of approximately \$48.9 million will be realized during the construction period.

GENERAL OBLIGATION COMMITMENT

Though we currently receive approximately \$350 million a year in Federal Highway Administration dollars -- 10 times the debt service payments on these bonds -- the state would be required to pay the debt service on these bonds if federal funding were reduced. This is an unlikely event, based on projections of the Federal Highway Administration. Other states have issued bonds with coverage levels as low as 2.4 times.

If investment earnings are not sufficient to meet the minimum state-match requirements, money from the state's general fund will be needed to make payments for the match.

**Transportation Acceleration Bonds
Projected Debt Service and
State Match Requirements**

<u>Payment Date</u>	<u>Projected Debt Service</u>	<u>Annual State 9.1 % Match</u>	<u>State Match on March 1, 2001 (Present Value)</u>
01-Sep-01	10,692,761.25	973,041.27	943,692.44
01-Mar-02	10,692,761.25	973,041.27	915,228.82
01-Sep-02	10,692,761.25	973,041.27	887,623.72
01-Mar-03	10,692,761.25	973,041.27	860,851.25
01-Sep-03	27,547,761.25	2,506,846.27	2,150,917.58
01-Mar-04	10,238,519.00	931,705.23	775,307.19
01-Sep-04	28,003,519.00	2,548,320.23	2,056,593.67
01-Mar-05	9,747,316.75	887,005.82	694,256.86
01-Sep-05	28,492,316.75	2,592,800.82	1,968,167.58
01-Mar-06	9,218,707.75	838,902.41	617,594.72
01-Sep-06	29,018,707.75	2,640,702.41	1,885,431.70
01-Mar-07	8,651,437.75	787,280.84	545,155.30
01-Sep-07	29,586,437.75	2,692,365.84	1,808,105.81
01-Mar-08	8,042,229.25	731,842.86	476,657.93
01-Sep-08	30,197,229.25	2,747,947.86	1,735,788.02
01-Mar-09	7,387,549.00	672,266.96	411,840.62
01-Sep-09	30,852,549.00	2,807,581.96	1,668,088.42
01-Mar-10	6,680,079.25	607,887.21	350,274.76
01-Sep-10	31,560,079.25	2,871,967.21	1,604,961.16
01-Mar-11	5,924,971.25	607,887.21	329,463.47
01-Sep-11	32,314,971.25	2,871,967.21	1,509,603.71
01-Mar-12	5,112,159.25	539,172.38	274,859.23
01-Sep-12	33,127,159.25	2,940,662.38	1,453,875.00
01-Mar-13	4,236,690.50	465,206.49	223,062.66
01-Sep-13	34,001,690.50	3,014,571.49	1,401,864.11
01-Mar-14	3,293,140.00	385,538.84	173,879.22
01-Sep-14	34,948,140.00	3,094,153.84	1,353,382.81
01-Mar-15	2,275,431.75	299,675.74	127,124.59
01-Sep-15	35,965,431.75	3,094,153.84	1,272,972.68
01-Mar-16	1,178,822.25	299,675.74	299,675.74
01-Sep-16	37,063,822.25	299,675.74	119,571.58
<hr/>			
Total payments	\$567,437,913.75		
State match required if paid annually		\$48,669,929.92	
State match required on date of issuance			\$30,895,872.34

*Schedule assumes a March 1, 2001 date of issuing all bonds

**Debt Service Schedule assumes a true interest cost of 6.2218978%

***Structured to match full payment from FHWA funds beginning in FY 05

****Present value calculation used a discount rate of 6.22%

State Match Requirement Analysis

	<u>State Payment Investment Earnings</u>	<u>Present value State match</u>	<u>Remaining State Match Requirement</u>
<u>01-Sep-01</u>	2,867,761.25	2,781,263.94	28,114,608.40
<u>01-Mar-02</u>	5,692,761.25	5,354,530.50	22,760,077.90
<u>01-Sep-02</u>	3,742,761.25	3,414,206.34	19,345,871.56
<u>01-Mar-03</u>	0.00	0.00	19,345,871.56
<u>01-Sep-03</u>	12,650,522.50	10,854,367.69	8,491,503.87
<u>01-Mar-04</u>	10,238,519.00	8,519,859.24	(28,355.36)
<u>01-Sep-04</u>	0.00	0.00	(28,355.36)
<u>01-Mar-05</u>	0.00	0.00	(28,355.36)
<u>01-Sep-05</u>	0.00	0.00	(28,355.36)
<u>01-Mar-06</u>	0.00	0.00	(28,355.36)

Total State Payments **\$35,192,325.25**

Present Value of Total State Payments **\$30,924,227.70**

* State match requirement met in March 2004 with total investment earnings of \$35.2 million

** State payments are present valued back to March 1, 2001 using the discount rate of 6.22%

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LEGISLATION

The bill authorizes \$350 million in bonds to fund transportation projects statewide. The bonds are general obligations of the State of Alaska, and will require voter approval. It is anticipated that approximately 90.1% of the debt service on the bonds will be paid with federal funds.

Assuming an annual interest cost of 6.22% (approximately 0.75% above current rates), no principal payments during the first 2.5 years and a 15-year term, we project the annual debt service will level out at approximately \$37.8 million in FY 2004. That would be about 10% of Federal Highway Administration funding granted to the state each year.

STATE MATCH ANALYSIS

The state's match for debt service is projected to be approximately \$3.4 million annually, or \$48,669,929.92 cumulatively, if paid as the bonds matured. However, it is anticipated that all of the state's match requirement will be paid from investment earnings on the bonds during the first five years after issuance. As the state receives credit for making these payments in advance – through a present-value calculation -- it is projected that payments of approximately \$35.2 million made during the first three years following issuance will satisfy the entire state match requirement.

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PLAN OF FINANCE

All \$350 million in authorized bonds will be issued as quickly as possible. Assuming this legislation is approved, and the residents of Alaska ratify the issuance in the Nov. 2, 2000 general election, it is anticipated the bonds could be issued by March 2001. The projected cash flows draw funds during the construction period of four and a half years. The funds will be invested during the construction period and those earnings will be available to provide the state's match. It is projected that earnings of approximately \$48.9 million will be realized during the construction period.

GENERAL OBLIGATION COMMITMENT

Though we currently receive approximately \$350 million a year in Federal Highway Administration dollars – 10 times the debt service payments on these bonds – the state would be required to pay the debt service on these bonds if federal funding were reduced. This is an unlikely event, based on projections of the Federal Highway Administration. Other states have issued bonds with coverage levels as low as 2.4 times.

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State Match Requirements**

<u>Payment Date</u>	<u>Projected Debt Service</u>	<u>Annual State 9.1 % Match</u>	<u>State Match on March 1, 2001 (Present Value)</u>
01-Sep-01	10,692,761.25	973,041.27	943,692.44
01-Mar-02	10,692,761.25	973,041.27	915,228.82
01-Sep-02	10,692,761.25	973,041.27	887,623.72
01-Mar-03	10,692,761.25	973,041.27	860,851.25
01-Sep-03	27,547,761.25	2,506,846.27	2,150,917.58
01-Mar-04	10,238,519.00	931,705.23	775,307.19
01-Sep-04	28,003,519.00	2,548,320.23	2,056,593.67
01-Mar-05	9,747,316.75	887,005.82	694,256.86
01-Sep-05	28,492,316.75	2,592,800.82	1,968,167.58
01-Mar-06	9,218,707.75	838,902.41	617,594.72
01-Sep-06	29,018,707.75	2,640,702.41	1,885,431.70
01-Mar-07	8,651,437.75	787,280.84	545,155.30
01-Sep-07	29,586,437.75	2,692,365.84	1,808,105.81
01-Mar-08	8,042,229.25	731,842.86	476,657.93
01-Sep-08	30,197,229.25	2,747,947.86	1,735,788.02
01-Mar-09	7,387,549.00	672,266.96	411,840.62
01-Sep-09	30,852,549.00	2,807,581.96	1,668,088.42
01-Mar-10	6,680,079.25	607,887.21	350,274.76
01-Sep-10	31,560,079.25	2,871,967.21	1,604,961.16
01-Mar-11	5,924,971.25	607,887.21	329,463.47
01-Sep-11	32,314,971.25	2,871,967.21	1,509,603.71
01-Mar-12	5,112,159.25	539,172.38	274,859.23
01-Sep-12	33,127,159.25	2,940,662.38	1,453,875.00
01-Mar-13	4,236,690.50	465,206.49	223,062.66
01-Sep-13	34,001,690.50	3,014,571.49	1,401,864.11
01-Mar-14	3,293,140.00	385,538.84	173,879.22
01-Sep-14	34,948,140.00	3,094,153.84	1,353,382.81
01-Mar-15	2,275,431.75	299,675.74	127,124.59
01-Sep-15	35,965,431.75	3,094,153.84	1,272,972.68
01-Mar-16	1,178,822.25	299,675.74	299,675.74
01-Sep-16	37,063,822.25	299,675.74	119,571.58
Total payments	\$567,437,913.75		
State match required if paid annually		\$48,669,929.92	
State match required on date of issuance			\$30,895,872.34

*Schedule assumes a March 1, 2001 date of issuing all bonds

**Debt Service Schedule assumes a true interest cost of 6.2218978%

***Structured to match full payment from FHWA funds beginning in FY 05

****Present value calculation used a discount rate of 6.22%

State Match Requirement Analysis

	<u>State Payment Investment Earnings</u>	<u>Present value State match</u>	<u>Remaining State Match Requirement</u>
<u>01-Sep-01</u>	2,867,761.25	2,781,263.94	28,114,608.40
<u>01-Mar-02</u>	5,692,761.25	5,354,530.50	22,760,077.90
<u>01-Sep-02</u>	3,742,761.25	3,414,206.34	19,345,871.56
<u>01-Mar-03</u>	0.00	0.00	19,345,871.56
<u>01-Sep-03</u>	12,650,522.50	10,854,367.69	8,491,503.87
<u>01-Mar-04</u>	10,238,519.00	8,519,859.24	(28,355.36)
<u>01-Sep-04</u>	0.00	0.00	(28,355.36)
<u>01-Mar-05</u>	0.00	0.00	(28,355.36)
<u>01-Sep-05</u>	0.00	0.00	(28,355.36)
<u>01-Mar-06</u>	0.00	0.00	(28,355.36)

Total State Payments **\$35,192,325.25**

Present Value of Total State Payments

\$30,924,227.70

* State match requirement met in March 2004 with total investment earnings of \$35.2 million

** State payments are present valued back to March 1, 2001 using the discount rate of 6.22%

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 319

Revision Date/Time (Note if correction) March 13, 2000 - Noon Dept. Affected Revenue
 Title Transportation Revenue Anticipation Bonds BRU Revenue Operations
 Component Treasury Division
 Sponsor Rules Committee
 Requester House Finance Component Serial No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel (Marketing & Selling Bonds)	15.0	15.0	15.0			
Contractual (Paying Agent)		15.0	15.0	15.0	15.0	15.0
Supplies	1.0	1.0	1.0			
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	0.0	21,385.5	21,385.5	37,786.3	37,750.8	37,711.0
TOTAL OPERATING	16.0	21,416.5	21,416.5	37,801.3	37,765.8	37,726.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts		12,825.0	17,642.8	14,897.2	37,750.8	37,711.0
1003 GF Match		0.0	0.0	0.0	0.0	0.0
1004 GF	16.0	31.0	31.0	15.0	15.0	15.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Investment Income)		8,560.5	3,742.7	22,889.1		
TOTAL	16.0	21,416.5	21,416.5	37,801.3	37,765.8	37,726.0

Estimate of current year (FY00) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
See attached.

Prepared by Devon Mitchell, Debt Manager
 Division Treasury Division
 Approved by Wilson L. Condon
 Commissioner
 Agency Department of Revenue

Phone 465-3750
 Date/Time 3/19/00 noc
 Date 3/17/00

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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Alaska State Legislature

Please enter into the record my testimony to the House Finance
 committee name
 committee on HB 319, dated 3/31/2000
 bill/subject

Mr. Chairman,

Thank you for this opportunity to comment on HB 319. The City of Haines strongly supports this measure (see resolution attached). The Haines economy remains stagnant due to the downturn in the timber industry. Community members have actively pursued other economic opportunities, with limited success. A significant hurdle to Haines economic growth is the lack of a consistent and regular transportation schedule for accessing our community.

The fast ferries will go a long way in addressing this problem. With consistent service, more people will plan activities here and more businesses will consider locating here. Current residents of Haines and surrounding communities will also benefit from the improved access in both directions. The system itself will benefit from the increased use that comes with convenience.

These ferries will also have a role, even if reasonable road options are accomplished. They will allow much more flexibility in that regard.

Alaska must take advantage of this available opportunity now. To await other unrealistic options only leaves us with the status quo, which is inadequate - and fails to provide the access needed to help revive our economy.

On behalf of the City of Haines, I strongly urge that this measure be approved and sent to the Voters. Thank you for your consideration.

Signed: Luise Hansen, City Administrator
 Testifier
Luise Hansen, City Administrator
 Representing (Optional)
P.O. BOX 1049 Haines, AK 99827
 Address
(907) 766-2231
 Phone No.

CITY OF HAINES

RESOLUTION NO. 99/2000-49

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HAINES, ALASKA, SUPPORTING THE ACCELERATED TRANSPORTATION PLAN PROPOSED BY THE KNOWLES ADMINISTRATION.

WHEREAS, on January 24, 2000 the Knowles Administration announced a \$350 million bonding package for transportation projects throughout the state; and,

WHEREAS, as a general rule, major projects cannot be built until complete funding for each phase is accumulated - often taking years of pooling federal dollars; and,

WHEREAS, the federal government has recently created a mechanism for states to acquire full bond funding for projects ahead of the usual schedule of annual federal allocations, allowing states to effectively borrow against anticipated federal revenues; and,

WHEREAS, this method of financing requires approval by the voters in a statewide election; and,

WHEREAS, the bonding package proposed by the Knowles Administration includes more than \$70 million for two new fast ferries that will greatly reduce the time required for surface trips between Southeast Alaskan communities; and,

WHEREAS, the Haines City Council agrees with Governor Knowles that, even though the private sector is the economic engine powering Alaska, the State must provide the basic facilities of commerce and at the top of that list is transportation infrastructure,

NOW THEREFORE BE IT RESOLVED by the Council of the City of Haines, Alaska:

Section 1. Support. The Haines City Council supports the accelerated transportation initiative proposed by the Knowles Administration, and respectfully urges the Alaska Legislature to enact it as a bond proposition for consideration by the voters.

CITY OF HAINES
RESOLUTION NO. 99/2000-49
Page 2

Section 2. Distribution. That the City Clerk shall cause copies of this Resolution to be distributed to the Office of the Governor, the President of the Alaska State Senate, the Speaker of the House of Representatives, and the members of the Haines legislative delegation.

Section 3. Effective Date. This Resolution shall be effective immediately upon adoption.

ADOPTED BY A DULY CONSTITUTED QUORUM OF THE HAINES CITY COUNCIL THIS 8TH DAY OF MARCH, 2000.

Donald E. Otis
Donald E. Otis, Mayor

ATTEST:

Susan V. Johnston
Susan V. Johnston, CMC, City Clerk

S E A L:

HB 319

TONY KNOWLES
Governor
2000

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 319

January 24, 2000

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Porter:

Today I am transmitting a bill that would authorize the issuance of \$350,000,000 in transportation revenue anticipation bonds to finance the accelerated construction of several transportation projects throughout the state.

In recent years Alaska's allocation of federal highway funds has dramatically increased to approximately \$350 million annually. Despite an aggressive six-year state transportation plan that addresses continued improvements to the state's highways, marine transportation, local roads and trails throughout the state, many important transportation needs remain unaddressed. We must do all we can—as soon as we can—to keep up with those critical needs. Now, thanks to an innovative federal program, we have an opportunity to build our transportation infrastructure statewide in the near future, rather than the long-term.

The projects to be financed with bond proceeds would all qualify for federal highway aid. Because of this qualification, future federal highway aid can be used to pay most of the principal and interest that will be due on the bonds. It might also be possible to use interest earned on bond proceeds to satisfy federal requirements for state match money.

The advantage of this method of financing is to allow the state to obtain enough money to begin construction of these vital projects now without having to wait for federal highway aid in the future. The projects set out in the bill—from Southeast Alaska to Anchorage to Fairbanks to Kotzebue—address pressing transportation needs that cannot be funded with federal dollars over the next 10 years or more. Using this approach can also save money

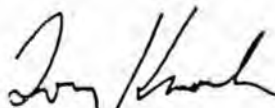
The Honorable Brian Porter
January 24, 2000
Page 2

by avoiding inflationary costs that would accrue to each project if left for future construction.

The bonds would be secured by a state guarantee to bondholders. The guarantee will afford the bonds the state's favorable credit rating and will make them a readily marketable security to potential investors. The guarantee is provided by using the authorization process for general obligation bonds. This process requires approval of the bill by the legislature and ratification by the voters at the next general election.

I urge your prompt and favorable action on this innovative approach to accelerate important transportation projects.

Sincerely,



Tony Knowles
Governor