

**HB**

**191**

HFIN

FILE

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 16, 2001

FURTHER REFERRALS:

Date of Committee Action: 4/26/01

The FINANCE Committee considered:

HB 191

HOUSE BILL NO. 191

FINANCING FOR TRANSPORTATION PROJECTS

"An Act authorizing financing for certain public transportation projects; giving notice of and approving the entry into, and the issuance of revenue obligations that provide participation in, lease-financing agreements for those transportation projects; and providing for an effective date."

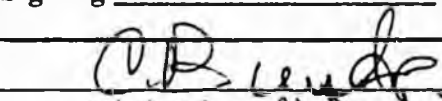
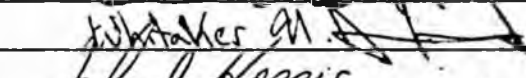
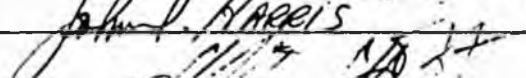
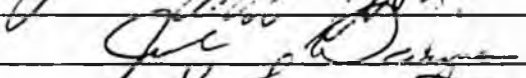
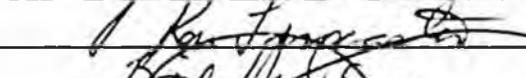


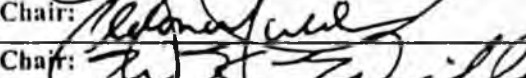

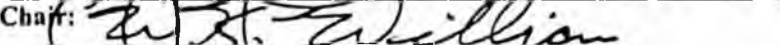
Recommends it be replaced with CS HB 191 (FIN) / Same Title [ ] New Title  
 For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR \_\_\_\_\_

- [ ] attach amendments
- [ ] add new referral to \_\_\_\_\_ Committee
- [ ] Letter of Intent \_\_\_\_\_ Committee

List of Abbrev. For Depts.:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LAA  
 LAW  
 LWF  
 MVA  
 DNR  
 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
*For Chief Clerk's Office Use Only				
FN#	List by Dept(s):	Fiscal	Indet.	Zero
	REV	✓		

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN #	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Bundel	✓			✓
	Whitaker	✓			
	HARRIS	✓			
	CARTER			✓	
	DAVIES				X
	Ludwig	✓			
	Hudson	✓			
	FOSTER	X			
Chair: 	Mulder	✓			
Chair: 	William	✓			

# FISCAL NOTE

**STATE OF ALASKA**  
**2001 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 191  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Financing for Transportation Projects BRU: Revenue Operations  
 Component: Treasury  
 Sponsor: House Finance  
 Requester: House Finance Component Number: 121

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel (Marketing & Selling Bonds)	20.0	10.0				
Contractual (Trustee/Paying Agent)	21.0	20.0	20.0	20.0	20.0	20.0
Supplies	1.0					
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		3,209.5	6,062.5	6,059.3	6,052.0	6,042.3
<b>TOTAL OPERATING</b>	<b>42.0</b>	<b>3,239.5</b>	<b>6,082.5</b>	<b>6,079.3</b>	<b>6,072.0</b>	<b>6,062.3</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts (FHWA)		1,609.5	4,062.5	4,559.3	5,052.0	6,042.3
1003 GF Match						
1004 GF	42.0	30.0	20.0	20.0	20.0	20.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Project Fund Investment Earnings		1,600.0	2,000.0	1,500.0	1,000.0	0.0
<b>TOTAL</b>	<b>42.0</b>	<b>3,239.5</b>	<b>6,082.5</b>	<b>6,079.3</b>	<b>6,072.0</b>	<b>6,062.3</b>

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached page

Prepared by: Deven Mitchell, Debt Manager Phone 465-3750  
 Division: Treasury Division Date/Time April 25, 2001, 9 a.m.  
 Approved by: Larry Persily, Deputy Commissioner Date 04/25/2001  
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

**Department of Revenue Fiscal Note and Bill Analysis**  
**HB 191 – April 25, 2001**

**BOND ISSUE**

This legislation authorizes the State Bond Committee to issue \$58.365 million in bonds for \$56 million in transportation projects statewide and to cover the costs of issuing the bonds and six months of capitalized interest on the bonds. The bonds will be secured by leases entered into by the Alaska Department of Transportation and Public Facilities. The bonds will be structured to allow, subject to annual appropriation, the total repayment of this obligation through a combination of federal funds and investment earnings on bond proceeds. However, the bonds will carry the moral obligation pledge of the general fund and payment of debt service will be expected regardless whether investment earnings or federal revenues are realized.

Assuming an interest cost of 5.75% (approximately 1% above April 2001 rates), an issue date of October 1, 2001, six months of capitalized interest (paying the first interest payment with principal), no principal payment in the first two years, and 15 annual principal payments, the debt service levels out at approximately \$6 million in FY 04. Final maturity on the bonds will occur on October 1, 2016.

**STATE MATCH ANALYSIS**

The state's annual 9.1% match for debt service if paid on an annual basis would be approximately \$3.9 million, or cumulatively \$7.96 million. The Federal Highway Administration allows issuers to pay their match obligation earlier and receive a present-value credit for the payment (a payment today is worth more than a payment in the future, thus the state's cumulative-match requirement becomes smaller in nominal dollars if paid earlier).

The state has received verbal approval from the Federal Highway Administration for this concept of using investment earnings to satisfy state match on a present-value basis, but we haven't received final approval for the concepts or financing mechanism. A TE-045 application for innovative financing will need to be approved by the Federal Highway Administration for the final structure of this issuance.

**PLAN OF FINANCE**

All \$58.365 million in authorized bonds will be issued as quickly as possible. Assuming the legislation is approved, a closing date of October 1, 2001 is anticipated. All funds will be invested until expended.

Amended pg. 2  
Adopted 4/26/01

22-LS0766J  
Cook  
4/26/01

CS FOR HOUSE BILL NO. 191( )

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s) HOUSE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing financing for certain public transportation projects; giving notice  
2 of and approving the entry into, and the issuance of revenue obligations that provide  
3 participation in, lease-financing agreements for those transportation projects; and  
4 providing for an effective date."

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

6 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
7 to read:

8 INTENT. It is the intent of the legislature that the state take full advantage of  
9 innovative financing methods recognized by the Federal Highway Administration. The  
10 legislature intends that the revenue obligations issued under this Act will be repaid from  
11 appropriations of federal money derived from annual apportionments paid to the state by the  
12 Federal Highway Administration. It is the intent of the legislature that interest earnings on the  
13 proceeds of bonds issued under this Act be used for the required state match on the projects  
14 listed in this Act.

L

1 \* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3 TRANSPORTATION PROJECT ALLOCATION. The Department of Transportation  
4 and Public Facilities shall allocate the net proceeds derived from the sale of revenue  
5 obligations authorized in sec. 5 of this Act for construction or acquisition of the following  
6 state transportation projects among those projects as follows, subject to reallocation among  
7 the projects under AS 37.07.080(e):

PROJECT	ALLOCATION
(1) Fairbanks: Downtown Street Improvements	\$ 8,000,000
(2) Fairbanks: Illinois-Barnette and Bridge	18,700,000
(3) Kotzebue: Ted Stevens Way Reconstruction	4,400,000
(4) Dillingham: Wood River Road Reconstruction	3,575,000
(5) Bethel: Ptarmigan Street Improvements	1,480,000
(6) Nome: Bering Street, Seppala Drive, and Front Street Rehabilitation and Front Street Safety and Enhancements	5,090,000
(7) Kaltag Area Roads	910,000
(8) McGrath Area Roads	968,000
(9) Aniak Area Roads	2,000,000
(10) Galena Area Roads	3,315,000
(11) Williamsport-Pile Bay Road Improvements, Phase I	6,000,000
(12) Deering: Cape Deceit Road Improvements	800,000
(13) Saint Mary's Area Roads	2,050,000
(14) Fairbanks: Richardson Highway: MP 52 to 361 Rehabilitation	11,100,000
(15) Fairbanks: Richardson Highway: North Pole Area Interchange	16,100,000
(16) <del>Fairbanks: South Cushman Street Improvements</del> <i>BORDEAUX WIDE ROAD + TRAIL</i>	3,100,000
(17) Anchorage: A/C Couplet, 6th Avenue to 40th Avenue	6,250,000
(18) Anchorage: Bragaw Street - Glenn Highway to Debart Road	625,000

1	(19) Anchorage: Lake Otis Parkway - Abbott Road to	2,600,000
2	O'Malley Road and Debarr Road to Northern	
3	Lights Blvd.	
4	(20) Anchorage: Mountain View Drive - Commercial	420,000
5	Drive to Glenn Highway	
6	(21) Anchorage: 9th Avenue - L Street to Ingra Street	700,000
7	(22) Anchorage: Northern Lights/Benson Blvds., Forest	3,000,000
8	Park Drive to Lake Otis Parkway (Couplet)	
9	(23) Anchorage: Old Seward Highway, Huffman	2,000,000
10	Road to Potter Valley Road	
11	(24) Anchorage: Spenard Road - McRea to Fireweed Line	1,500,000
12	(25) Anchorage: C Street Phase III, Dimond Blvd. to	28,750,000
13	O'Malley Road, including interchange at O'Malley	
14	Road and a grade separation for the Alaska Railroad	
15	near 68th Avenue and C Street	
16	(26) Anchorage: Glenn Highway, Gambell Street to	58,180,000
17	McCarrey Street	
18	(27) Anchorage: Seward Highway at International	15,000,000
19	Airport Road Grade Separated Crossing	
20	(28) Anchorage: Seward Highway at 92nd Avenue Grade	12,500,000
21	Separation and Connection to Old Seward Highway	
22	Abbott Road	
23	(29) Anchorage: Abbott Loop North Extension	15,000,000
24	(30) Kenai: North Kenai Spur Road MP 22 to 29.7 Repave	10,612,000
25	(31) Soldotna: East Redoubt Avenue Rehabilitation	5,073,000
26	(32) Matanuska-Susitna: Glenn Highway MP 34 to 42	1,500,000
27	Reconstruction - Parks to Old Glenn Highway (Palmer)	
28	(33) Matanuska-Susitna: Glenn Highway State Fairgrounds	500,000
29	Access Improvements	
30	(34) Matanuska-Susitna: Seward Meridian Road, Parks	7,525,000
31	to Seldon Road	

1	(35) Matanuska-Susitna: Trunk Road Reconstruction	9,150,000
2	(36) Palmer: East Eagle Avenue and Gulkana Street Upgrade	1,200,000
3	(37) Wasilla: Roads and Trails	1,120,000
4	(38) Matanuska-Susitna: Fairview Loop Path	1,310,000
5	(39) Matanuska-Susitna: Old Glenn Highway MP 0 to 18.6	13,225,000
6	Rehabilitation	
7	(40) Palmer-Wasilla Highway Expansion	17,850,000
8	(41) Matanuska-Susitna: Petersville Road MP 3 to 14	5,400,000
9	(42) One Fast Ferry	35,000,000
10	(43) Ketchikan: South Tongass Highway Widening and	5,000,000
11	Path Extension, Phase I	
12	(44) Petersburg: Mitkof Highway Upgrade	550,000
13	(45) Juneau: Thane Road Dock Dump to Sheep Creek	900,000
14	Reconstruction	
15	(46) Juneau: Old Dairy Road Resurfacing and Shoulder	700,000
16	Widening	
17	(47) Juneau: Glacier Highway Brotherhood Bridge at	4,830,000
18	Mendenhall River	
19	(48) Juneau: Upgrade Back Loop, Montana Creek and	3,700,000
20	Skaters Cabin Roads	
21	(49) Petersburg: Haugen Drive Upgrade and Path Extension	470,000
22	(50) Ketchikan: North Tongass Highway Ward Cove to	1,900,000
23	Whipple Creek Widening/Realign	
24	(51) Ketchikan Gateway Borough: Road Surface Treatment	600,000
25	(52) Craig: Port Saint Nicholas Road BST	2,550,000
26	(53) Thorne Bay: Shoreline Drive Paving	340,000
27	(54) Haines: MP 3.5 to 25.3 Reconstruction - Airport	3,000,000
28	to Bluffs	
29	(55) Sitka: Sawmill Creek Road Upgrade, Phase I	5,500,000
30	(56) Kodiak: Chiniak Road Rehabilitation, Phase I	6,000,000

31 \* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 DELEGATION OF AUTHORITY FOR LEASE-FINANCING AGREEMENTS. The  
3 Department of Transportation and Public Facilities is delegated the Department of  
4 Administration's authority under AS 36.30.085 to enter into lease-financing agreements in  
5 connection with the issuance of revenue obligations to finance the state transportation projects  
6 described in sec. 2 of this Act.

7 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
8 read:

9 LEASE-FINANCING PAYMENTS. (a) The lease payments owed under lease-  
10 financing agreements executed under sec. 3 of this Act are subject to annual appropriation by  
11 the legislature.

12 (b) The legislature intends that federal money in the form of apportionments from the  
13 Federal Highway Administration for federal highway grants will provide enough revenue to  
14 the general fund to make substantially all of the lease payments; however, if that revenue  
15 source is insufficient, the payments may be made from any other valid revenue source, subject  
16 to appropriation.

17 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 NOTICE OF THE ENTRY INTO AND FINANCING OF REVENUE  
20 OBLIGATIONS. (a) Subject to annual appropriation, the Department of Transportation and  
21 Public Facilities is authorized to enter into lease-financing agreements for the issuance of  
22 revenue obligations for the state transportation projects described in sec. 2 of this Act.

23 (b) The state bond committee is authorized to provide for the issuance of revenue  
24 obligations in one or more series in the aggregate principal amount of \$395,450,000 for the  
25 costs of construction of the projects described in sec. 2 of this Act. The principal amount  
26 includes the estimated cost of \$379,618,000 for constructing, acquiring, and equipping the  
27 projects described in sec. 2 of this Act; capitalized interest payments in the total amount of  
28 \$10,881,368; and an amount for the cost of issuing the revenue obligations of \$4,950,632.  
29 The estimated annual amount of rental obligations under the lease-financing agreements is  
30 \$41,000,000. The estimated total lease payments for the full term of the lease-financing  
31 agreements is \$592,600,000.

1 (c) The state bond committee may contract for credit enhancement, underwriting,  
2 credit ratings, bond counsel, financial advisor, printing, and trustee services that the  
3 committee considers necessary in financing the projects described in sec. 2 of this Act.

4 (d) In this section,

5 (1) "costs of construction" includes credit enhancement and underwriting  
6 expenses, rating agency fees, bond counsel fees, financial advisor fees, printing fees, trustee  
7 fees, capitalized interest, and interest earnings used for lease payments; and

8 (2) "revenue obligation" means a certificate of participation in the right to  
9 receive a payment under a lease-financing agreement made to finance the costs of  
10 construction or acquisition of a state transportation project.

11 \* Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 NOTICE AND APPROVAL OF AGREEMENTS. Section 5 of this Act constitutes  
14 the notice and approval of lease-financing agreements to finance the transportation projects  
15 described in sec. 2 this Act that is required by AS 36.30.085.

16 \* Sec. 7. This Act takes effect July 1, 2001.

22-LS0766\F  
Cook  
4/25/01

**CS FOR HOUSE BILL NO. 191( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - FIRST SESSION**

**BY**

**Offered:  
Referred:**

**Sponsor(s): HOUSE FINANCE COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act authorizing financing for certain public transportation projects; giving notice**  
2 **of and approving the entry into, and the issuance of revenue obligations that provide**  
3 **participation in, lease-financing agreements for those transportation projects; and**  
4 **providing for an effective date."**

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

6 **\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
7 to read:

8 **INTENT.** It is the intent of the legislature that the state take full advantage of  
9 innovative financing methods recognized by the Federal Highway Administration. The  
10 legislature intends that the revenue obligations issued under this Act will be repaid from  
11 appropriations of federal money derived from annual apportionments paid to the state by the  
12 Federal Highway Administration. It is the intent of the legislature that interest earnings on the  
13 proceeds of bonds issued under this Act be used for the required state match on the projects  
14 listed in this Act.

1 \* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3 TRANSPORTATION PROJECT ALLOCATION. The Department of Transportation  
4 and Public Facilities shall allocate the net proceeds derived from the sale of revenue  
5 obligations authorized in sec. 5 of this Act for construction or acquisition of the following  
6 state transportation projects among those projects as follows, subject to reallocation among  
7 the projects under AS 37.07.080(e):

8	PROJECT	ALLOCATION
9	(1) Fairbanks: Downtown Street Improvements	\$ 8,000,000
10	(2) Fairbanks: Illinois-Barnette and Bridge	18,700,000
11	(3) Kotzebue: Shore Avenue Rehabilitation and	11,450,000
12	Erosion Protection	
13	(4) Nome: Bering Street, Seppala Drive, and Front	5,090,000
14	Street Rehabilitation and Front Street Safety	
15	and Enhancements	
16	(5) Fairbanks: Richardson Highway: MP 52	11,100,000
17	to 361 Rehabilitation	
18	(6) Fairbanks: Richardson Highway: North Pole	16,100,000
19	Area Interchange	
20	(7) Fairbanks: South Cushman Street Improvements	3,100,000
21	(8) Anchorage: A/C Couplet, 6th Avenue to 40th Avenue	6,250,000
22	(9) Anchorage: Bragaw Street - Glenn Highway to	625,000
23	Debarr Road	
24	(10) Anchorage: Lake Otis Parkway - Abbott Road to	2,600,000
25	O'Malley Road and Debarr Road to Northern	
26	Lights Blvd.	
27	(11) Anchorage: Mountain View Drive - Commercial	420,000
28	Drive to Glenn Highway	
29	(12) Anchorage: 9th Avenue - L Street to Ingra Street	700,000
30	(13) Anchorage: Northern Lights/Benson Blvds., Forest	3,000,000
31	Park Drive to Lake Otis Parkway (Couplet)	

1	(14) Anchorage: Old Seward Highway, Huffman	2,000,000
2	Road to Potter Valley Road	
3	(15) Anchorage: Spenard Road - McRea to Fireweed Lane	1,500,000
4	(16) Anchorage: C Street Phase III, Dimond Blvd. to	28,750,000
5	O'Malley Road, including interchange at O'Malley	
6	Road and a grade separation for the Alaska Railroad	
7	near 68th Avenue and C Street	
8	(17) Anchorage: Glenn Highway, Gambell Street to	58,180,000
9	McCarrey Street	
10	(18) Anchorage: Seward Highway at International	15,000,000
11	Airport Road Grade Separated Crossing	
12	(19) Anchorage: Seward Highway at 92nd Avenue Grade	12,500,000
13	Separation and Connection to Old Seward Highway	
14	Abbott Road	
15	(20) Anchorage: Abbott Loop North Extension	15,000,000
16	(21) Bethel: Ptarmigan Street Improvements	1,480,000
17	(22) Kenai: North Kenai Spur Road MP 22 to 29.7 Repave	10,612,000
18	(23) Soldotna: East Redoubt Avenue Rehabilitation	5,073,000
19	(24) Matanuska-Susitna: Glenn Highway MP 34 to 42	1,500,000
20	Reconstruction - Parks to Old Glenn Highway (Palmer)	
21	(25) Matanuska-Susitna: Glenn Highway State Fairgrounds	500,000
22	Access Improvements	
23	(26) Matanuska-Susitna: Seward Meridian Road, Parks	7,525,000
24	to Seldon Road	
25	(27) Matanuska-Susitna: Trunk Road Reconstruction	9,150,000
26	(28) Palmer: East Eagle Avenue and Gulkana Street Upgrade	1,200,000
27	(29) Wasilla: Local Gravel-to-Asphalt Program	1,000,000
28	(30) Matanuska-Susitna: Bogard Road Wasilla High/Middle	1,430,000
29	School Pedestrian Crossing	
30	(31) Matanuska-Susitna: Old Glenn Highway MP 0 to 18.6	13,225,000
31	Rehabilitation	

1	(32) Palmer-Wasilla Highway Expansion	17,850,000
2	(33) Matanuska-Susitna: Petersville Road MP 3 to 14	5,400,000
3	(34) Dillingham: Aleknagik Lake Road, MP 8 to 23 Paving	9,900,000
4	(35) One Fast Ferry	35,000,000
5	(36) Ketchikan: South Tongass Highway Widening and	5,000,000
6	Path Extension, Phase I	
7	(37) Petersburg: Mitkof Highway Upgrade	550,000
8	(38) Juneau: Thane Road Dock Dump to Sheep Creek	900,000
9	Reconstruction	
10	(39) Juneau: Old Dairy Road Resurfacing and Shoulder	700,000
11	Widening	
12	(40) Juneau: Glacier Highway Brotherhood Bridge at	4,830,000
13	Mendenhall River	
14	(41) Juneau: Upgrade Back Loop, Montana Creek and	3,700,000
15	Skaters Cabin Roads	
16	(42) Petersburg: Haugen Drive Upgrade and Path Extension	470,000
17	(43) Ketchikan: North Tongass Highway Ward Cove to	2,500,000
18	Whipple Creek Widening/Realign	
19	(44) Craig: Port Saint Nicholas Road BST	2,550,000
20	(45) Thorne Bay: Shoreline Drive Paving	340,000
21	(46) Haines: MP 3.5 to 25.3 Reconstruction - Airport	3,000,000
22	to Bluffs	
23	(47) Sitka: Sawmill Creek Road Upgrade, Phase I	5,500,000

24 \* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to  
25 read:

26 DELEGATION OF AUTHORITY FOR LEASE-FINANCING AGREEMENTS. The  
27 Department of Transportation and Public Facilities is delegated the Department of  
28 Administration's authority under AS 36.30.085 to enter into lease-financing agreements in  
29 connection with the issuance of revenue obligations to finance the state transportation projects  
30 described in sec. 2 of this Act.

31 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 LEASE-FINANCING PAYMENTS. (a) The lease payments owed under lease-  
3 financing agreements executed under sec. 3 of this Act are subject to annual appropriation by  
4 the legislature.

5 (b) The legislature intends that federal money in the form of apportionments from the  
6 Federal Highway Administration for federal highway grants will provide enough revenue to  
7 the general fund to make substantially all of the lease payments; however, if that revenue  
8 source is insufficient, the payments may be made from any other valid revenue source, subject  
9 to appropriation.

10 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
11 read:

12 NOTICE OF THE ENTRY INTO AND FINANCING OF REVENUE  
13 OBLIGATIONS. (a) Subject to annual appropriation, the Department of Transportation and  
14 Public Facilities is authorized to enter into lease-financing agreements for the issuance of  
15 revenue obligations for the state transportation projects described in sec. 2 of this Act.

16 (b) The state bond committee is authorized to provide for the issuance of revenue  
17 obligations in one or more series in the aggregate principal amount of \$386,500,000 for the  
18 costs of construction of the projects described in sec. 2 of this Act. The principal amount  
19 includes the estimated cost of \$370,950,000 for constructing, acquiring, and equipping the  
20 projects described in sec. 2 of this Act; capitalized interest payments in the total amount of  
21 \$10,630,000; and an amount for the cost of issuing the revenue obligations of \$4,860,000.  
22 The estimated annual amount of rental obligations under the lease-financing agreements is  
23 \$39,900,000. The estimated total lease payments for the full term of the lease-financing  
24 agreements is \$579,200,000.

25 (c) The state bond committee may contract for credit enhancement, underwriting,  
26 credit ratings, bond counsel, financial advisor, printing, and trustee services that the  
27 committee considers necessary in financing the projects described in sec. 2 of this Act.

28 (d) In this section,

29 (1) "costs of construction" includes credit enhancement and underwriting  
30 expenses, rating agency fees, bond counsel fees, financial advisor fees, printing fees, trustee  
31 fees, capitalized interest, and interest earnings used for lease payments; and

1           (2) "revenue obligation" means a certificate of participation in the right to  
2 receive a payment under a lease-financing agreement made to finance the costs of  
3 construction or acquisition of a state transportation project.

4       \* Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6           NOTICE AND APPROVAL OF AGREEMENTS. Section 5 of this Act constitutes  
7 the notice and approval of lease-financing agreements to finance the transportation projects  
8 described in sec. 2 this Act that is required by AS 36.30.085.

9       \* Sec. 7. This Act takes effect July 1, 2001.

Amendment 2 Failed

OFFERED IN THE HOUSE FINANCE

BY: REP. CROFT

To: HB 191

Offered By:

Page 3, Lines 8-9

**DELETE**

[ Anchorage: Glenn Highway, Gambell Street to Mccarrey Street 58,180,000]

Page 3 line 15

**DELETE**

[Anchorage Abbott Loop North extension 15,000,000]

**INSERT**

Barrow Road Resurfacing 10,000,000

Fast Ferries 35,000,000

Fairbanks 9,000,000

Fairbanks North Star Borough Area Roads and Trails 10,000,000

~~Soldotna~~

~~East Redoubt Ave. 6,000,000~~

**Rural**

Village Road Surfacing \$9,350,000

Chief Eddie Hoffman Highway \$2,830,000

Proposed Garvee Projects

Area	Description	Cost Est.
Anchorage	A/C Couplet, 6th to 40th Aves.	6,250,000
	Bragaw-Glenn Hwy to Debarr	625,000
	Lake Otis-Abbott to O'Malley & Debarr to Northern Lights Blvd	2,600,000
	Mt. View Dr.- Commercial to Glenn Hwy	420,000
	9th Avenue-L Street to Ingra	700,000
	Northern Lights/Benson Blvds., Forest Park Dr. to Lake Otis Parkway (couplet)	3,000,000
	Old Seward Hwy, Huffman Rd. to Potter Valley Rd.	2,000,000
	Spenard Road-McRea to Fireweed	1,500,000
	C St. Ph. 3, Dimond Blvd. To O'Malley Rd including interchange at O'Malley and a grade separation for the AK Railroad near 68th Ave and C St.	28,750,000
	Glenn Hwy, Gambell St. to McCarrey St.	58,180,000
	Seward Hwy at 92nd Avenue Grade Separation and connection to Old Seward Hwy and Abbott Road	12,500,000
	Abbott Loop North Extension	15,000,000
	Seward Hwy at International Airport Rd Grade Separated Crossing	15,000,000
		<u>146,525,000</u>
Fairbanks	Downtown Street Improvements	8,000,000
	Illinois/Barnette Street Reconstruction	18,700,000
	Richardson Hwy: MP 352-361 Rehabilitation	11,100,000
	Richardson Hwy North Pole Interchange	16,100,000
	South Cushman St. Improvements	3,100,000
	<u>57,000,000</u>	
Mat-su	Glenn Hwy Fairgrounds Access Improvements	500,000
	Glenn Hwy MP 34 to 42 Reconst. - Parks to Old Glenn Hwy (Palmer)	1,500,000
	Petersville Road MP 3-14	5,400,000
	Seward Meridian Rd., Parks to Seldon	7,525,000
	Trunk Road reconstruction	9,150,000
	Palmer: East Eagle Ave and Gulkana St. Upgrade	1,200,000
	Wasilla Roads and Trails	1,120,000
	Fairview Loop Path	1,310,000
	Old Glenn Hwy. MP 0-18.6 Rehabilitation	13,225,000
Palmer-Wasilla Hwy Expansion	17,850,000	
	<u>58,780,000</u>	

Proposed Garvee Projects

Kenai Pen	North Kenai Spur Rd MP 22-29.7 Repave	10,612,000
	Soldotna East Redoubt Ave. Rehabilitation	<u>5,073,000</u>
		15,685,000
Rural	Kotzebue: Ted Stevens Way Reconstruction	4,400,000
	Nome Bering, Seppala & Front St. Rehabilitation and Front St. Safety Enhance	5,090,000
	Bethel Ptarmigan Street Improvements	1,480,000
	McGrath Area Roads	968,000
	Aniak Area Roads	2,000,000
	Galena Area Roads	3,315,000
	Deering: Cape Deceit Road Improvements	800,000
	Kaltag Area Roads	910,000
	Williamsport-Pile Bay Road Improvements, Phase I	6,000,000
	Saint Mary's Area Roads	2,050,000
	Dillingham Wood River Road Reconstruction	<u>3,575,000</u>
	30,588,000	
Kodiak	Chiniak Road Rehabilitation, Phase I	<u>6,000,000</u>
Southeast	1 Fast Ferry	35,000,000
	Ketchikan South Tongass Hwy Widening and Path Extension, Ph. I	5,000,000
	Mitkof Hwy Upgrade	550,000
	Juneau Thane Road Rock Dump to Sheep Creek Reconstruction	900,000
	Juneau Old Dairy Road Resurfacing and Shoulder Widening	700,000
	Juneau Glacier Highway Brotherhood Bridge at Mendenall River	4,830,000
	Juneau Upgrade Back Loop, Montana Creek and Skaters Cabin Roads	3,700,000
	Petersburg Haugen Drive Upgrade and Path Extension	470,000
	Ketchikan North Tongass Hwy Ward Cove to Whipple Creek Widening/Realign	2,500,000
	Craig Port Saint Nicolas Road BST	2,550,000
	Thome Bay Shoreline Drive Paving	340,000
	Haines MP 3.5 to 25.3 Reconstruction - Airport to Bluffs	3,000,000
Sitka Sawmill Creek Road Upgrade, Ph. I	<u>5,500,000</u>	
	65,040,000	
Proposed Total Package		379,618,000

Proposed Garvee Projects

Area	Description	Cost Est.
Anchorage	A/C Couplet, 6th to 40th Aves.	6,250,000
	Bragaw-Glenn Hwy to Debarr	625,000
	Lake Otis-Abbott to O'Malley & Debarr to Northern Lights Blvd	2,600,000
	Mt. View Dr.- Commercial to Glenn Hwy	420,000
	9th Avenue-L Street to Ingra	700,000
	Northern Lights/Benson Blvds., Forest Park Dr. to Lake Otis Parkway (couplet)	3,000,000
	Old Seward Hwy, Huffman Rd. to Potter Valley Rd.	2,000,000
	Spenard Road-McRea to Fireweed	1,500,000
	C St. Ph. 3, Dimond Blvd. To O'Malley Rd including interchange at O'Malley and a grade separation for the AK Railroad near Lake Ave and C St.	28,750,000
	Glenn Hwy, Gambell St. to McCarrey St.	58,180,000
	Seward Hwy at 92nd Avenue Grade Separation and connection to Old Seward Hwy and Abbott Road	12,500,000
	Abbott Loop North Extension	15,000,000
	Seward Hwy at International Airport Rd Grade Separated Crossing	15,000,000
		<u>146,525,000</u>
Fairbanks	Downtown Street Improvements	8,000,000
	Illinois/Barnette Street Reconstruction	18,700,000
	Richardson Hwy: MP 352-361 Rehabilitation	11,100,000
	Richardson Hwy North Pole Interchange	16,100,000
	South Cushman St. Improvements	3,100,000
	<u>57,000,000</u>	
Mat-su	Glenn Hwy Fairgrounds Access Improvements	500,000
	Glenn Hwy MP 34 to 42 Reconst. - Parks to Old Glenn Hwy (Palmer)	1,500,000
	Petersville Road MP 3-14	5,400,000
	Seward Meridian Rd., Parks to Seldon	7,525,000
	Trunk Road reconstruction	9,150,000
	Palmer: East Eagle Ave and Gulkana St. Upgrade	1,200,000
	Wasilla Local Gravel-to-Asphalt Program	1,000,000
	Bogard Rd Wasilla High/Middle Schools Pedestrian Crossing	1,430,000
	Old Glenn Hwy. MP 0-18.6 Rehabilitation	13,225,000
Palmer-Wasilla Hwy Expansion	17,850,000	
	<u>58,780,000</u>	

Proposed Garvee Projects

Kenai Pen	North Kenai Spur Rd MP 22-29.7 Repave	10,612,000
	Soldotna East Redoubt Ave. Rehabilitation	<u>5,073,000</u>
		15,685,000
Rural	Kotzebue Shore Ave. Rehab and Erosion Protection	11,450,000
	Nome Bering, Seppala & Front St. Rehabilitation and Front St. Safety Enhance	5,090,000
	Bethel Ptarmigan Street Improvements	1,480,000
	Dillingham Aleknagik Lake Road, MP 8-23 Paving	<u>9,900,000</u>
		27,920,000
Southeast	1 Fast Ferry	35,000,000
	Ketchikan South Tongass Hwy Widening and Path Extension, Ph. I	5,000,000
	Mitkof Hwy Upgrade	550,000
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	Haines MP 3.5 to 25.3 Reconstruction - Airport to Bluffs	3,000,000
Sitka Sawmill Creek Road Upgrade, Ph. I	<u>5,500,000</u>	
		65,040,000
	Proposed Total Package	370,950,000

# Benefit-Cost Analysis of GARVEE Bond Construction Projects

By Brian Rogers

*Department of Transportation  
and Public Facilities*



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March 29, 2001

## Study Objectives

- ◆ Benefits & costs of highway construction in Alaska
- ◆ Benefits & costs of GARVEE bonding for highway projects
- ◆ Financial and budgetary impacts of GARVEE bonds for highway projects

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## Methodology

- ◆ Literature review
- ◆ IMPLAN analysis of construction spending
- ◆ Benefit/cost analysis of highway construction generally
- ◆ GARVEE bond financial and economic analysis

## Advance Construction Funding

- ◆ Federal authorization under National Highway System Designation Act of 1995
- ◆ Federal authorization under TEA-21
- ◆ Several methods
  - Borrowing from GF, reimbursed by Federal
  - GARVEE bonds
  - Other approaches not applicable to Alaska

## Study Conclusions

- ◆ GARVEE Bond net benefits exceed pay-as-you-go funding net benefits
- ◆ GARVEE Bond benefits are robust with respect to the discount rate
- ◆ GARVEE Bond benefits are relatively insensitive to bond interest rates
- ◆ GARVEE approach yields significant advantages to the State of Alaska

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## GARVEE Impacts - Benefits

- ◆ Projects advanced by several years
- ◆ Interest earnings, not GF, pay state match
- ◆ Earlier construction avoids inflation impacts
- ◆ Allows other projects to be advanced in STIP
- ◆ Avoids accelerated deterioration of roads

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## Will GARVEE Bonds overheat the construction sector?

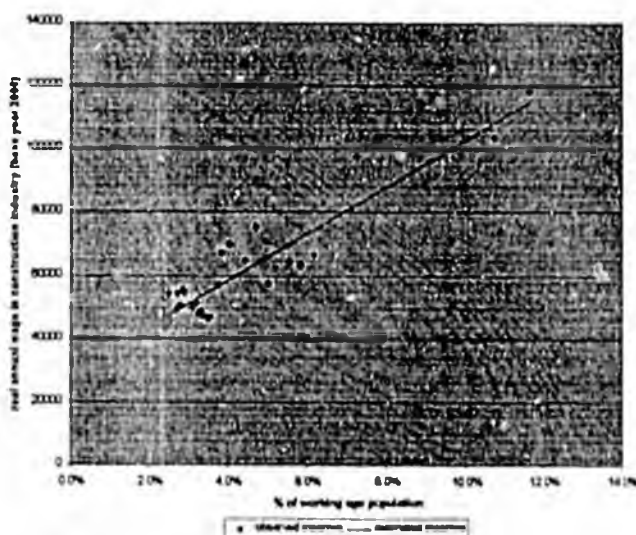
- ◆ In short, no.
- ◆ Construction sector can add between 1,000 and 2,000 workers without inflation impact.
- ◆ Highway construction employs 70 workers per \$10 million
- ◆ Thus increase of \$140 - \$280 MM is ok
- ◆ GARVEE Bond proposal spends over 5 years, peaking at \$115 MM

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## Relationship Between Working Age Population and Costs

Real Construction Labor Costs as Percent of Workforce



- ◆ There is a strong correlation between construction activity (as a share of the workforce) and costs.
- ◆ A mega-project lasting a couple of years will temporarily accelerate costs by about 35%.

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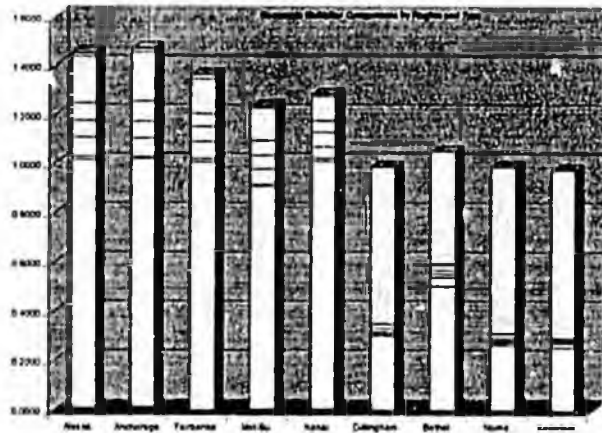
## GARVEE Impacts - Costs

- ◆ Debt service payments from future federal appropriations
- ◆ Annual construction reduced in out-years

## GARVEE vs. Pay-as-you-go

- ◆ GARVEE
  - Economic benefit: \$5.4 billion
  - Transportation benefit: \$6.5 billion
  - State Benefit/Cost Ratio of 37.3
- ◆ Pay-as-you-go
  - Economic benefit: \$5.4 billion
  - Transportation benefit: \$6.0 billion
  - State Benefit/Cost Ratio of 33.2

## Regional Multipliers by Category



◆ While the multiplier for Alaska as a whole is greater than one, most of the small communities keep little spending in their community.

◆ Even in small communities, much of the spending is in domestic trade with other larger communities.

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## Employment Impacts

- ◆ Per \$10MM highway construction
- ◆ Alaska as a whole: 126 jobs total
- ◆ 70 of those jobs are in construction; 56 indirect
- ◆ Ranges from
  - 16 jobs (Bethel) to
  - 125 jobs (Anchorage)

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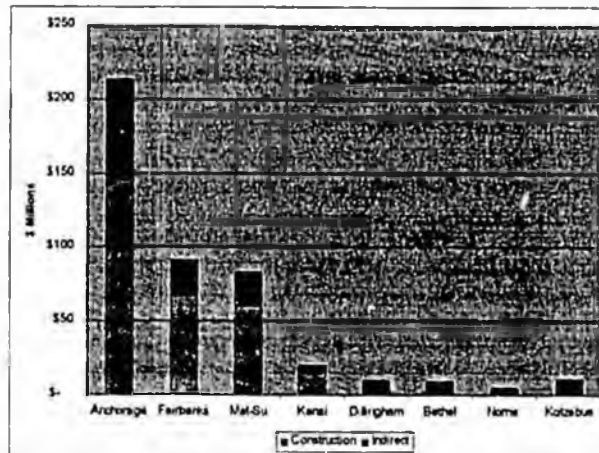
## Labor Income Impacts

- ◆ Again, per \$10MM highway construction
- ◆ Alaska \$5.6 million labor income
- ◆ Ranges from
  - \$525,000 (Bethel) to
  - \$5,322,533 (Anchorage)

## Combined Effects

- ◆ Per \$10 MM local construction on community income and output
- ◆ Alaska: \$15.5 million
- ◆ Ranges from
  - Kotzebue, \$9.8 million to
  - Anchorage, \$14.7 million

## Distribution of Spending by Regions



- ◆ Project spending has the strongest direct and indirect effects on the Anchorage, Mat-Su, and Fairbanks economies.
- ◆ Ferry and rural roads spending is omitted here.

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## Anchorage Summary

- ◆ \$147 million in highway construction creates over 5 years
- ◆ 1,816 local jobs (1,005 in construction)
- ◆ \$78.2 million in local labor income
- ◆ \$213.7 million total impact to local economy

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## Fairbanks North Star Borough Summary

- ◆ \$67 million in highway construction creates over 5 years
- ◆ 779 local jobs (487 in construction)
- ◆ \$34.0 million in local wages
- ◆ \$91.5 million total impact to local economy

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## Mat-Su Borough Summary

- ◆ \$67 million in highway construction creates over 5 years
- ◆ 799 local jobs (493 in construction)
- ◆ \$27.5 million in local wages
- ◆ \$82.9 million total impact to local economy

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## Kenai Peninsula Summary

- ◆ \$15.7 million in highway construction creates over 5 years
- ◆ 182 local jobs (123 in construction)
- ◆ \$6.9 million in local wages
- ◆ \$20.2 million total impact to local economy

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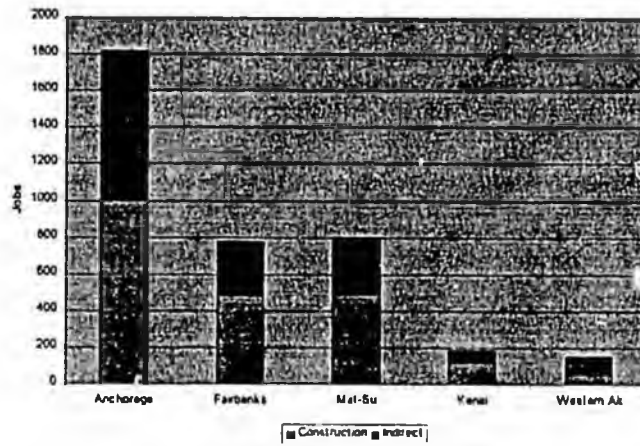
## Western Alaska Summary

- ◆ Dillingham, Bethel, Nome, Kotzebue
- ◆ \$33.3 million in highway construction creates
- ◆ 74 jobs (55 in construction)
- ◆ \$3.8 million in local wages
- ◆ \$29.9 million total impact to local economy

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## Distribution of Jobs by Region



◆ Most jobs are also generated in the Anchorage economy.

◆ These jobs are divided between direct construction jobs and indirect jobs.

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## Summary of Findings

- ◆ The GARVEE Bond package produces significant net benefits to the State of Alaska over pay-as-you-go funding
- ◆ The GARVEE Bond package provides substantial economic benefits to the state and traveling public
- ◆ Highway construction projects leverage state funding to create local jobs

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March 29, 2001

**HOUSE BILL NO. 191**

**IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-SECOND LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

Introduced: 3/16/01  
Referred: Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act authorizing financing for certain public transportation projects; giving notice  
2 of and approving the entry into, and the issuance of revenue obligations that provide  
3 participation in, lease-financing agreements for those transportation projects; and  
4 providing for an effective date."

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

6 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
7 to read:

8 INTENT. It is the intent of the legislature that the state take full advantage of  
9 innovative financing methods recognized by the Federal Highway Administration. The  
10 legislature intends that the revenue obligations issued under this Act will be repaid from  
11 appropriations of federal money derived from annual apportionments paid to the state by the  
12 Federal Highway Administration.

13 \* Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section to  
14 read:

1           TRANSPORTATION PROJECT ALLOCATION. The Department of Transportation  
2 and Public Facilities shall allocate the net proceeds derived from the sale of revenue  
3 obligations authorized in sec. 5 of this Act for construction or acquisition of the Glenn  
4 Highway, Gambell Street to McCarrey Street, transportation project.

5       \* Sec. 3. The uncodified law of the State of Alaska is amended by adding a new section to  
6 read:

7           DELEGATION OF AUTHORITY FOR LEASE-FINANCING AGREEMENTS. The  
8 Department of Transportation and Public Facilities is delegated the Department of  
9 Administration's authority under AS 36.30.085 to enter into lease-financing agreements in  
10 connection with the issuance of revenue obligations to finance the state transportation project  
11 described in sec. 2 of this Act.

12       \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14           LEASE-FINANCING PAYMENTS. (a) The lease payments owed under lease-  
15 financing agreements executed under sec. 3 of this Act are subject to annual appropriation by  
16 the legislature.

17           (b) The legislature intends that federal money in the form of apportionments from the  
18 Federal Highway Administration for federal highway grants will provide enough revenue to  
19 the general fund to make substantially all of the lease payments; however, if that revenue  
20 source is insufficient, the payments may be made from any other valid revenue source. subject  
21 to appropriation.

22       \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24           NOTICE OF ENTRY INTO AND FINANCING OF REVENUE OBLIGATIONS.

25 (a) Subject to annual appropriation, the Department of Transportation and Public Facilities is  
26 authorized to enter into lease-financing agreements for the issuance of revenue obligations for  
27 the state transportation project described in sec. 2 of this Act.

28           (b) The state bond committee is authorized to provide for the issuance of revenue  
29 obligations in one or more series in the aggregate principal amount of \$58,365,000 for the  
30 costs of construction of the project described in sec. 2 of this Act. The principal amount  
31 includes the estimated cost of \$56,000,000 for constructing, acquiring, and equipping the

1 project described in sec. 2 of this Act; capitalized interest payments in the total amount of  
2 \$1,635,000; and an amount for the cost of issuing the revenue obligations of \$730,000. The  
3 estimated annual amount of rental obligations under the lease-financing agreements is  
4 \$5,600,000. The estimated total lease payments for the full term of the lease-financing  
5 agreements is \$92,530,000. Payment of principal and interest on revenue bonds issued under  
6 this subsection is subject to annual appropriation.

7 (c) The state bond committee may contract for credit enhancement, underwriting,  
8 credit ratings, bond counsel, financial advisor, printing, and trustee services that the  
9 committee considers necessary in financing the project described in sec. 2 of this Act.

10 (d) In this section,

11 (1) "costs of construction" includes credit enhancement and underwriting  
12 expenses, rating agency fees, bond counsel fees, financial advisor fees, printing fees, trustee  
13 fees, capitalized interest, and interest earnings used for lease payments; and

14 (2) "revenue obligation" means a certificate of participation in the right to  
15 receive a payment under a lease-financing agreement made to finance the costs of  
16 construction or acquisition of a state transportation project.

17 \* Sec. 6. The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 NOTICE AND APPROVAL OF AGREEMENTS. Section 5 of this Act constitutes  
20 the notice and approval of lease-financing agreements to finance the transportation project  
21 described in sec. 2 of this Act that is required by AS 36.30.085.

22 \* Sec. 7. This Act takes effect July 1, 2001.