

SB

271

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 271
 (S) Publish Date: 5/1/02
 Dept. Affected: Natural Resources
 BRU: Minerals, Land & Water Dev
 Component: Land Sales/Muni Ent.
 Component Number: 2465

Revision Date/Time (Note if correction): _____
 Title: MARINE AND RAIL TRANSPORTATION
AUTHORITY
 Sponsor: Sens. WARD, Austerman, Cowdery, Taylor
 Requester: (S) TRA

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	115.5	254.1	278.1	278.1	278.1	278.1
Travel	10.0	15.0	15.0	15.0	15.0	15.0
Contractual	50.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Supplies	10.0	5.0	5.0	5.0	5.0	5.0
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	185.5	1,774.1	1,798.1	1,798.1	1,798.1	1,798.1

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	185.5	1,774.1	1,798.1	1,398.1	1,198.1	998.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other I/A M&RT Fund (estimated)				400.0	600.0	800.0
TOTAL	185.5	1,774.1	1,798.1	1,798.1	1,798.1	1,798.1

Estimate of any current year (FY2002) cost: none
 Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal:

POSITIONS

Full-time	4	5	5	5	5	5
Part-time			1	1	1	1
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 This fiscal note is the minimum necessary for DNR to process land selections and conveyances to the Marine and Rail Transportation Fund. Costs could be higher depending on what lands are selected and the level of controversy relating to individual parcels. Most costs for the conveyance work will be paid for by the Transportation Fund using Interagency Receipts; however, this money still must come from state general funds for the first several years as the Transportation Fund will have no revenue.
 The fiscal note assumes the Constitutional amendment that is needed to enable the fund is (cont.)

Prepared by: Bob Loeffler Phone 269-8600
 Division: Mining, Land and Water Date/Time 26-Feb-02
 Approved by: Pat Pourchot Date 26-Feb-02
 Agency: Natural Resources

ANALYSIS: SB 271 #2 (continued)

approved by the voters in November 2002, and that the Transportation Fund and DNR begin the process to identify and transfer lands in January 2003 (FY 03). For FY 03, DNR staff will include 6 mos. of a Natural Resource Manager I, 6 mos. for two Natural Resource Officer (NRO) II, and 6 mos. NRO I who will help identify parcels for Transportation Fund selection, check land status and land records, prepare public notice, respond to public inquiries, negotiate with the Transportation Fund, and perform other tasks to prepare land lists. Starting in FY 04, the four positions are funded FT and costs also include 6 mos. for a Land Surveyor I to prepare survey instructions and contracts for survey. Large contractual expenditures starting in FY 04 reflect the cost to survey parcels. Survey costs assume average parcel size of 1000 acres and that only half of the parcels require survey. FY 05 and following years include the above costs, plus costs to issue title documents (6 mos. of an NRO I, plus recording fees).

For FY 03-05, the fiscal note assumes that all costs will be paid from the general fund as the Marine and Rail Transportation Fund will not generate revenues until at least some revenue-generating lands are transferred. Starting in FY 06, the analysis assumes part of the costs to implement this legislation will be paid by the Transportation Fund.

Not included in the DNR fiscal note are the costs to create an entirely new land management agency for the Marine and Rail Transportation Fund. Under SB 271, this land management agency would be housed within DOTPF. Minimum cost of such a land office will be \$500,000-\$1 million/year, with most of the initial funding coming from the general fund.

* Note: It is impossible to project how much revenue these conveyances will generate for the Marine and Rail Transportation Fund, and will be lost to the state general fund, without knowing exactly what lands will be transferred. However, it can be assumed the Marine and Rail Fund will select the most valuable parcels it can find. The effect is to divert a significant revenue stream out of the general fund, where it would have been available for those public purposes the Legislature deemed most important in a given year, into the hands of the Marine and Rail Transportation Fund for strictly railroad and ferry purposes. Also, by removing the most valuable parcels from the state's asset base, the bill reduces one of the most important incentives for local government to incorporate: the opportunity to select top-quality commercial, residential, and industrial land for municipal ownership under AS 29.65.

Personal Services New Position Detail

DRAFT

Department of Natural Resources

Scenario: DNR FY2003 Fiscal Notes - for Positions (2481)
 Component: Land Sales & Municipal Entitlements (2456)
 BRU Name: Minerals, Land, and Water Development (330)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Steps	Budgeted Months	Split / Annual Count	Annual Salary	COLA	Premium Pay	Annual Benefits	Total Costs																												
10-#078	Natural Resource Mgr I	FT	A	GG	Anchorage	2A	18 C	6.0		23,280	140	0	8,607	32,027																												
Justification: SB271						Funding Detail: <table border="0"> <tr> <td>1004</td> <td>General Fund Receipts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>100.00%</td> <td>32,027</td> </tr> <tr> <td colspan="12" style="text-align: right;">Total Funding:</td> <td>100.00%</td> <td>32,027</td> </tr> </table>									1004	General Fund Receipts											100.00%	32,027	Total Funding:												100.00%	32,027
1004	General Fund Receipts											100.00%	32,027																													
Total Funding:												100.00%	32,027																													
10-#079	Natural Resource Off II	FT	A	GG	Anchorage	2A	16 D	6.0		20,964	126	0	8,133	29,223																												
Justification: SB271						Funding Detail: <table border="0"> <tr> <td>1004</td> <td>General Fund Receipts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>100.00%</td> <td>29,223</td> </tr> <tr> <td colspan="12" style="text-align: right;">Total Funding:</td> <td>100.00%</td> <td>29,223</td> </tr> </table>									1004	General Fund Receipts											100.00%	29,223	Total Funding:												100.00%	29,223
1004	General Fund Receipts											100.00%	29,223																													
Total Funding:												100.00%	29,223																													
10-#080	Natural Resource Off I	FT	A	GG	Anchorage	2A	14 C	6.0		17,574	106	0	7,438	25,118																												
Justification: SB271						Funding Detail: <table border="0"> <tr> <td>1004</td> <td>General Fund Receipts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>100.00%</td> <td>25,118</td> </tr> <tr> <td colspan="12" style="text-align: right;">Total Funding:</td> <td>100.00%</td> <td>25,118</td> </tr> </table>									1004	General Fund Receipts											100.00%	25,118	Total Funding:												100.00%	25,118
1004	General Fund Receipts											100.00%	25,118																													
Total Funding:												100.00%	25,118																													
10-#081	Natural Resource Off II	FT	A	GG	Anchorage	2A	16 D	6.0		20,964	126	0	8,133	29,223																												
Justification: SB271						Funding Detail: <table border="0"> <tr> <td>1004</td> <td>General Fund Receipts</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>100.00%</td> <td>29,223</td> </tr> <tr> <td colspan="12" style="text-align: right;">Total Funding:</td> <td>100.00%</td> <td>29,223</td> </tr> </table>									1004	General Fund Receipts											100.00%	29,223	Total Funding:												100.00%	29,223
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Total Funding:												100.00%	29,223																													

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.

Personal Services New Position Detail

Department of Natural Resources

DRAFT

Scenario: DNR FY2003 Fiscal Notes - for Positions (2481)
Component: Land Sales & Municipal Entitlements (2456)
BRU Name: Minerals, Land, and Water Development (330)

Component Summary:

Total New Positions: 4

<u>Fund Description</u>	<u>Fund Percent</u>	<u>Fund Amount</u>
1004 General Fund Receipts	100.00%	115,591
Total Funding:	100.00%	115,591

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 271
 (S) Publish Date: 5/1/02

Revision Date/Time (Note if correctic _____ Dept. Affected: _____
 Title Alaska Marine and Rail Transport Authority BRU _____
 Component Alaska Railroad Corporation
 Sponsor Senator Ward
 Requester Senate Transportation Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	1,460.4	1,426.8	1,426.8	1,426.8	1,426.8	1,426.8
Travel	80.0	72.0	74.2	76.4	78.7	81.0
Contractual	3,589.5	3,489.5	3,594.2	3,702.0	3,813.1	3,927.5
Supplies	30.0	30.9	31.8	32.8	33.8	34.8
Equipment	126.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	5,285.9	5,019.2	5,127.0	5,238.0	5,352.3	5,470.1

CAPITAL EXPENDITURES						
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CHANGE IN ARRC REVENUES	(11,000.0)	(11,260.0)	(11,590.0)	(11,940.0)	(12,350.0)	(12,850.0)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5,285.9	5,019.2	5,127.0	5,238.0	5,352.3	5,470.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Bond Proceeds						
TOTAL	5,285.9	5,019.2	5,127.0	5,238.0	5,352.3	5,470.1

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal

POSITIONS

Full-time	18	18	18	18	18	18
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached sheet.

Prepared by: Bill O'Leary, Vice President, Finance, Chief Finance Officer
 Division Alaska Railroad Corporation
 Approved by: Deborah B. Sedwick, Commissioner
 Agency Department of Community & Economic Development

Phone 907-265-2516
 Date/Time 2/26/02 11:22 AM
 Date 2/26/2002

(Revised 9/2001 OMB)

SB 271 #1 Assumptions:

The proposed legislation appears to envision three major administrative units comprising the Authority – the Alaska Marine Highway System (AMHS), the Alaska Railroad Corporation (ARRC), and the central Authority executive office (System Office). This fiscal note discusses financial impacts to ARRC and the System Office; AMHS' impacts will be addressed through its fiscal note submission.

The legislation creates a Board of Directors of the Authority and abolishes the current ARRC Board. It is assumed that the cost of this Authority Board will be roughly equivalent to that of the existing ARRC Board; as such, no incremental cost is presented.

The legislation also creates a Board to provide oversight of the fund where the revenues of the Authority would be constitutionally dedicated. This eight member Board's compensation and travel expenses are presented in the fiscal note; eight three-day meetings are estimated for the first year due to the transition/implementation, with six two-day meetings necessary in subsequent years.

With regard to funding the System Office, it is assumed that the existing ARRC CEO and administrative head of AMHS will assume the Chief Operating Officer positions identified in the proposed legislation. As such, a new position, Authority CEO will be necessary. With this position will also come an administrative assistant position. Further, it is assumed a Chief Financial Officer (CFO) for the Authority will be necessary to ensure coordinated financial management of the two operating divisions. This fiscal note also assumes adding 15 additional staff for real estate activities, in addition to the 9 ARRC Real Estate Division employees that would be transferred to the System Office. Travel expenses and office space/supplies are also included. System Office contractual expenses are estimated conservatively and include such items as the incremental cost of auditing the new agency as well as consulting efforts through transition. Contractual services related to the real estate group include estimates for platting, surveying, and transferring the land from DNR to the new Authority. Significant contract legal costs would also be incurred.

No revenue is assumed to be received from the lands to be transferred during the time of the fiscal note (FY 03 – 08).

Fiscal Impact to ARRC

The most direct impact to ARRC will be the loss of the real estate revenue that has served as the primary driver of the corporation's net income for the last decade. The transfer of this income, estimated at \$11 million in 2003, will cripple ARRC's internally funded capital program. To this point, all of the Railroad's earnings have been reinvested in the corporation's infrastructure in an effort to lessen the considerable amount of deferred maintenance that is a reality at ARRC. Removing this income stream from the corporation will have the effect of cutting ARRC's necessary capital program, both from an internal funding perspective and from a federal perspective, as internal funds are necessary to provide required match to federal grant funds received by the corporation. As was the case under federal ownership, the Railroad will soon begin slipping back into decline from a safety and customer service perspective.

1. ARRC's 9 real estate employees currently are responsible for 2,500 acres of leased land out of a total of approximately 17,000 acres available. Adding 500,000 acres of land will require a significant ramping up of the real estate function; as such, this estimated addition of 15 employees is considered very conservative.

2. The amount included in the fiscal note is based upon a bill analysis prepared in 1999 by DNR for proposed transfer of lands to the UA System and is considered a conservative figure.



SENATOR JERRY WARD

ALASKA STATE LEGISLATURE

SPONSOR STATEMENT

Committee Substitute for Senate Bill No. 271(TRA)

“An Act establishing the Alaska Marine Highway Authority; establishing the marine highway transportation fund; relating to ferries and ferry terminals; and providing for an effective date.”

The intent of this Act is to establish a state-owned authority that would be directly responsible for the operation and management of the Alaska Marine Highway. This bill would also convey 500,000 acres of land to the authority.

The Alaska Marine Highway was created under the authority of the Federal Government in 1963 and was not given a land base. For the past several years the Alaska Marine Highway has relied on general funds for costs because of the lack of a capital equity base in order to make it self-sufficient. Creating an authority and conveying an additional 500,000 acres of land would allow the excess land to generate revenue and provide a stable funding base for the Alaska Marine Highway Authority. The idea is to reduce the requirements to fund the Alaska Marine Highway through the general fund.

The authority will operate under the name “Alaska Marine Highway Authority” and will be a public corporation of the state and a division of the Department of Transportation and Public Facilities. The authority shall prepare a comprehensive long-range plan for the development and improvement of the Alaska Marine Highway system. The authority will make all of its financial records available to the legislature and an appointee of the Governor and shall submit an annual budget to the legislature through the governor.

The primary duties of the authority will be to assist residents, businesses and communities of the state to obtain the highest quality of marine passenger and freight services. The authority will be responsible to encourage and integrate with other public and private carriers in and outside the state to provide the highest quality of service within the state. The authority is required to employ Alaskan residents to the highest legal level possible.

The fund will be able to receive gifts, bequests, contributions of cash or other assets and additional land grants from the state. The proceeds of disposal by the Department of Natural Resources shall be credited to the funds from which the purchase of the land was originally made.

It is my hope that CSSB 271 becomes legislation in order to ensure a self sufficient, long-term transportation network that serves all Alaskans.