

HB

561

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 29, 2004

FURTHER REFERRALS:

Date of Committee Action: 5-4-04

The FINANCE Committee considered:

HB 561

HOUSE BILL NO. 561

G.O. BONDS FOR TRANSPORTATION PROJECTS

"An Act providing for and relating to the issuance of general obligation bonds in a principal amount of not more than \$1,000,000 for the purpose of paying the cost of state transportation projects; and providing for an effective date."

Recommends it be replaced with HCS or CS for HB 561 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- 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
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	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
<i>Ken Meyer</i>	Meyer	X			
<i>Mr. Hawk</i>	Hawker	X			
<i>Stan</i>	Stan			X	
<i>Chenault</i>	Chenault	X			
<i>Foster</i>	Foster	✓			
<i>Foster</i>	FOSTER	X			
Chair: <i>Williams</i>	Williams	X			

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 561
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title G.O. Bonds for Transportation RDU Revenue Programs & Services
Projects Component Treasury Management
 Sponsor House Finance
 Requester House Finance Component No. 121

Expenditures/Revenues (Thousands of Dollars)
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service	5.0	72.0	72.0	72.0	72.0	72.0
TOTAL OPERATING	5.0	72.0	72.0	72.0	72.0	72.0

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	0.0	72.0	72.0	72.0	72.0	72.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
GO Bond Proceeds	5.0					
TOTAL	5.0	72.0	72.0	72.0	72.0	72.0

Estimate of any current year (FY2004) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 Authorizes the issuance of \$1 million in general obligation bonds to pay for state transportation projects.

If the bill is passed by the legislature the proposal would be included on the ballot for voter authorization in the fall of 2004. Assuming voter approval the entire authorization of bonds would be issued in the spring of 2005. However, the State Bond Committee would determine the actual timing, amount, and term of the bond sales based on project demand, market conditions and the state fiscal outlook. HB561 provides that \$5.0 will be appropriated from the general fund of the state to pay the costs of issuing the bonds including rating agency, printing, public notice, travel, financial advisor, and bond counsel fees. Therefore that amount is shown in this fiscal note. Fiscal notes for GO bonds typically

Prepared by: Tom Boutin, Deputy Commissioner Phone 465-3750
 Division Treasury Division Date/Time 4/29/04, 5 PM
 Approved by: Steve Porter, Deputy Commissioner Date 4/29/2004
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. _____

ANALYSIS CONTINUATION

provide for issuance costs of 2% of the amount of bonds to be issued. Issuance costs can be significantly less than that percentage depending on the amount issued. However, GO bond issuance does have fixed costs such as the costs of purchasing ratings from 3 rating agencies and the cost of the Internet service that provides the auction.

This fiscal note assumes level debt service, a 20-year final maturity, and a true interest cost of 3.75%. Interest rates will change between the date of this fiscal note and any date that bonds might be issued. In order to illustrate sensitivity to interest rates; if the true interest cost increased to 4.00%, the annual debt service would increase to \$73.6 from the \$72.0 shown.

These bonds would be sold on a competitive basis with the bonds being awarded to the bidder offering the lowest true interest cost. The bidder would be given the option of purchasing bond insurance.

The interest rates in this fiscal note require the maintenance of the State's credit ratings through this additional bonds issuance, a possible but perhaps unlikely scenario absent a demonstrable additional revenue source in place prior to issuance. The State is currently on negative outlook from Moody's Investors Service. Standard and Poor's and Fitch Services have indicated mid-term concern related to the disparity between ongoing recurring revenues and expenditures, and the continuing and projected depletion of the State's short term reserves. If no steps had been taken to balance recurring revenues with expenditures by the time these bonds were issued, it is likely that the cost of capital would increase for all issuers of Alaska public debt when the state credit ratings were downgraded by at least one of the agencies.

Adopted

5/4/04

HB 561 - Project Detail	Cost
Federal Earmark Match for State Highway System Projects	\$15,000,000
Anchorage - Abbott Loop Road Upgrade (68th Avenue to Abbott Road)	\$15,000,000
Anchorage - Lake Otis and Tudor Intersection Improvements	\$8,500,000
Anchorage - Jewel Lake Road and Strawberry Road Signalization	\$1,100,000
Chugiak Birchwood Eagle River Rural Road Service Area - Road and Drainage Rehabilitation	\$700,000
Glenn Highway Lighting - Artillery Road Overpass - South Birchwood	\$330,000
Mat-Su - Bogard Road Extension East	\$6,600,000
Mat-Su - Trunk Road Hospital Access	\$1,000,000
Kenai - Sterling Hwy Kasilof River Safety Area Improvements	\$4,000,000
Kenai - Kenai Borough Road Improvements	\$2,000,000
Kenai - City of Kenai Road Improvements	\$1,000,000
Fairbanks - Steese Corridor Safety and Capacity Improvements	\$7,500,000
Fairbanks - Cowles Road Upgrade	\$1,200,000
Sitka - Old Thomsen Harbor renovation	\$2,500,000
Juneau - Areawide Transportation Improvements	\$2,300,000
Ketchikan - Thomas Basin Harbor, Ryus Float, Bar Harbor North, Hole-in-the-Wall Harbor, Kundson Cove Harbor renovations	\$2,650,000
Ketchikan Gateway Borough - Road and Pedestrian Improvements	\$500,000
City of Ketchikan - Road and Pedestrian Improvements	\$500,000
Kodiak Island Borough - Airport Terminal Acquisition and Renovation	\$1,000,000
Port Lions - Public Dock Replacement	\$500,000
Nome - City Streets Improvements	\$1,650,000
Kotzebue and Noatak - Road and Facility Maintenance and equipment	\$1,400,000
Petersburg - Middle Harbor Renovation	\$1,200,000
Wrangell - Heritage Harbor Renovation	\$1,400,000
Valdez - Harbor Deferred Maintenance	\$1,000,000
Homer - Deep Water Dock Corrosion	\$450,000
Chignik - Public Dock Project	\$1,000,000
Adak - Small Boat Harbor Expansion	\$3,000,000
Whittier - Harbor Renovation	\$1,500,000
Donlin Creek - Crooked Creek/Donlin Creek Access Road	\$2,000,000
Statewide Harbor Deferred Maintenance	\$4,800,000
Totals	\$93,280,000

adopted 5/4/04
 Amendment # / Replaced

HB 561 - Project Detail	Cost
Federal Earmark Match	\$15,000,000
Anchorage - Abbott Loop Road Upgrade (68th Avenue to Abbott Road)	\$15,000,000
Anchorage - Lake Otis and Tudor Intersection Improvements	\$8,500,000
Chugiak Birchwood Eagle River Road Service Area - Road and Drainage Rehabilitation	\$700,000
Glenn Highway Lighting - Arterial Road Overpass - South Birchwood	\$330,000
Mat-Su - Bogard Road Extension East	\$6,600,000
Mat-Su - Trunk Road Hospital Access	\$1,000,000
	\$4,000,000
Kenai - Sterling Hwy Kasilof River Safety Area Improvements	
Kenai - Kenai Borough Road Improvements	\$2,000,000
Kenai - City of Kenai Road Improvements	\$1,000,000
Fairbanks - Steese Corridor Safety and Capacity Improvements	\$7,500,000
Fairbanks - Cowles Road Upgrade	\$1,200,000
Sitka - Old Thomsen Harbor renovation	\$2,500,000
Juneau - Areawide Transportation Improvements	\$2,300,000
Ketchikan - Thomas Basin Harbor, Ryus Float, Bar Harbor North, Hole-in-the-Wall Harbor, Kundson Cove Harbor renovations	\$2,650,000
Ketchikan Gateway Borough - Road and Pedestrian Improvements	\$500,000
	\$500,000
City of Ketchikan - Road and Pedestrian Improvements	
Kodiak - Airport Terminal Renovation	\$1,000,000
Port Lions - Public Dock Replacement	\$500,000
Nome - City Streets Improvements	\$1,650,000
Kotzebue Areawide Road Maintenance	\$1,400,000
Petersburg - Middle Harbor Renovation	\$1,200,000
Wrangell - Heritage Harbor Renovation	\$1,400,000
Valdez - Harbor Deferred Maintenance	\$1,000,000
Homer - Deep Water Dock Corrison	\$450,000
Chignik - Public Dock Project	\$1,000,000
Adak - Small Boat Harbor Expansion	\$3,000,000
Skagway - Harbor Deferred Maintenance	\$1,300,000
Whittier - Harbor Renovation	\$1,500,000
Statewide Harbor Deferred Maintenance	\$3,500,000
Totals	\$90,180,000

23-LS1960\D
Cook
5/3/04

CS FOR HOUSE BILL NO. 561(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:
Referred:

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

*NOT
adopted*

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for and relating to the issuance of general obligation bonds in a
2 principal amount of not more than \$86,850,000 for the purpose of paying the cost of
3 state transportation projects; and providing for an effective date."

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

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

7 **GENERAL OBLIGATION BONDS.** For the purpose of paying the cost of state
8 transportation projects, general obligation bonds of the state in the principal amount of not
9 more than \$86,850,000, if ratified by a majority of the qualified voters of the state who vote
10 on the question, shall be issued and sold. The full faith, credit, and resources of the state are
11 pledged to the payment of the principal of and interest and redemption premium, if any, on
12 the bonds. The bonds shall be issued under the provisions of AS 37.15 as those provisions
13 read at the time of issuance.

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

1 read:

2 TRANSPORTATION PROJECT FUND. If the issuance of the bonds described in
3 sec. 1 of this Act is ratified by a majority of the qualified voters of the state who vote on the
4 question, a special fund of the state to be known as the "transportation project fund" shall be
5 established, to which shall be credited the proceeds of the sale of the bonds described in sec. 1
6 of this Act except for the accrued interest and premiums.

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

9 TRANSPORTATION PROJECT ALLOCATION. The amount of \$86,850,000 is
10 appropriated from the transportation project fund to the Department of Transportation and
11 Public Facilities to be allocated among the following transportation projects in the amounts
12 listed subject to reallocation between projects in accordance with AS 37.07.080(e).

13	PROJECT	ALLOCATION
14	Federal earmark match	\$15,000,000
15	Anchorage - Abbott Loop Road upgrade (68th Avenue	15,000,000
16	to Abbott Road)	
17	Anchorage - Lake Otis and Tudor intersection	8,500,000
18	improvements	
19	Eagle River/Chugiak - road and drainage	700,000
20	rehabilitation	
21	Matanuska - Susitna - Bogard Road extension East	6,600,000
22	Matanuska - Susitna - Trunk Road hospital access	1,000,000
23	Kenai - Sterling Highway Kasilof River safety area	4,000,000
24	improvements	
25	Kenai - road improvements	3,000,000
26	Fairbanks - Steese Highway corridor safety and capacity	7,500,000
27	improvements	
28	Fairbanks - Cowles Road upgrade	1,200,000
29	itka - Old Thomsen Harbor renovation	2,500,000
30	uneau - second channel crossing	2,300,000
31	Ketchikan - Thomas Basin Harbor, Ryus float, Bar	2,650,000

1	Harbor North, Hole-in-the-Wall Harbor, Knudson Cove	
2	harbor renovations	
3	Ketchikan - road and pedestrian improvements	1,000,000
4	Kodiak - airport terminal renovation	1,000,000
5	Port Lions - public dock replacement	500,000
6	Nome - city streets improvements	1,650,000
7	Kotzebue - city streets improvements	1,400,000
8	Petersburg - Middle Harbor renovation	1,200,000
9	Wrangell - Heritage Harbor renovation	1,400,000
10	Valdez - harbor deferred maintenance	500,000
11	Homer - deep water dock corrison	450,000
12	Chignik - public dock project	1,000,000
13	Skagway - harbor deferred maintenance	1,300,000
14	Whittier - harbor renovation	2,000,000
15	Statewide harbor deferred maintenance transfers	3,500,000
16	Total	\$86,850,000

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

19 STATE BOND COMMITTEE. If the issuance of the bonds under sec. 1 of this Act is
20 ratified by a majority of the qualified voters of the state who vote on the question, the amount
21 of \$434,250 or as much of that amount as is found necessary is appropriated from the general
22 fund of the state to the state bond committee to carry out the provisions of this Act and to pay
23 expenses incident to the sale and issuance of the bonds authorized in sec. 1 of this Act. The
24 amounts expended from the appropriation authorized by this section shall be reimbursed to
25 the general fund from the proceeds of the sale of the bonds authorized by sec. 1 of this Act.

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

28 ADVANCE PLANNING. The amount withdrawn from the public facility planning
29 fund (AS 35.10.135) for the purpose of advance planning for the capital improvements
30 financed under sec. 3 of this Act shall be reimbursed to the fund from the proceeds of the sale
31 of bonds authorized by sec. 1 of this Act.

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

3 LAPSE; REDEMPTION; REIMBURSEMENT. The unexpended and unobligated
4 balance of the appropriation made in sec. 3 of this Act lapses under AS 37.25.020 and is
5 appropriated to the state bond committee to redeem bonds sold under sec. 1 of this Act. The
6 amounts expended from the general fund to pay the principal, interest and redemption
7 premium on bonds issued under sec. 1 of this Act shall be reimbursed to the general fund
8 from the appropriation made under this section to the extent that the money is not needed to
9 redeem the bonds.

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

12 BALLOT PROPOSITION. The question whether the bonds authorized in this Act are
13 to be issued shall be submitted to the qualified voters of the state at the next general election
14 and shall read substantially as follows:

15 PROPOSITION

16 State General Obligation State Transportation Project Bonds \$86,850,000

17 Total Bond Authorization \$86,850,000

18 Shall the State of Alaska issue general obligation bonds in the principal
19 amount of not more than \$86,850,000 for the purpose of paying the cost of
20 state transportation projects?

21 Bonds Yes []

22 Bonds No []

23 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

Adopted 5/4/04 Amendment # 1

HB 561 - Project Detail	Cost
Federal Earmark Match	\$15,000,000
Anchorage - Abbott Loop Road Upgrade (68th Avenue to Abbott Road)	\$15,000,000
Anchorage - Lake Otis and Tudor Intersection Improvements	\$8,500,000
Chugiak Birchwood Eagle River Road Service Area - Road and Drainage Rehabilitation	\$700,000
Glenn Highway Lighting - Arterial Road Overpass - South Birchwood	\$330,000
Mat-Su - Bogard Road Extension East	\$6,600,000
Mat-Su - Trunk Road Hospital Access	\$1,000,000
	\$4,000,000
Kenai - Sterling Hwy Kasilof River Safety Area Improvements	
Kenai - Kenai Borough Road Improvements	\$2,000,000
Kenai - City of Kenai Road Improvements	\$1,000,000
Fairbanks - Steese Corridor Safety and Capacity Improvements	\$7,500,000
Fairbanks - Cowles Road Upgrade	\$1,200,000
Sitka - Old Thomsen Harbor renovation	\$2,500,000
Juneau - Areawide Transportation Improvements	\$2,300,000
Ketchikan - Thomas Basin Harbor, Ryus Float, Bar Harbor North, Hole-in-the-Wall Harbor, Kundson Cove Harbor renovations	\$2,650,000
Ketchikan Gateway Borough - Road and Pedestrian Improvements	\$500,000
	\$500,000
City of Ketchikan - Road and Pedestrian Improvements	
Kodiak - Airport Terminal Renovation	\$1,000,000
Port Lions - Public Dock Replacement	\$500,000
Nome - City Streets Improvements	\$1,650,000
Kotzebue Areawide Road Maintenance	\$1,400,000
Petersburg - Middle Harbor Renovation	\$1,200,000
Wrangell - Heritage Harbor Renovation	\$1,400,000
Valdez - Harbor Deferred Maintenance	\$1,000,000
Homer - Deep Water Dock Corrison	\$450,000
Chignik - Public Dock Project	\$1,000,000
Adak - Small Boat Harbor Expansion	\$3,000,000
Skagway - Harbor Deferred Maintenance	\$1,300,000
Whittier - Harbor Renovation	\$1,500,000
Statewide Harbor Deferred Maintenance	\$3,500,000
Totals	\$90,180,000