

SB

121

Preparing for Alaska's Tomorrows

Building Alaska's Infrastructure

Senate State Affairs Committee
March 31, 2005

Governor's Proposal

- Finance capital infrastructure projects by issuance of bonds
- Use interest earnings from a settlement to pay off the bonds
- Fund projects that bring benefits today as well as prepare for Alaska's future

About the Settlement . . .

- State filed suit against oil companies over state's royalty oil valuation
- Companies filed lawsuit to stop trial proceeding in Alaska
 - Said couldn't get a fair trial because 25% of settlement will go into Permanent Fund
 - Accordingly all Alaskans who could be jurors and judges are biased
- Federal court urged legislative solution
- Cowper, Hickel introduced legislation
 - Eliminated bias by excluding settlement's earnings from calculation of dividend

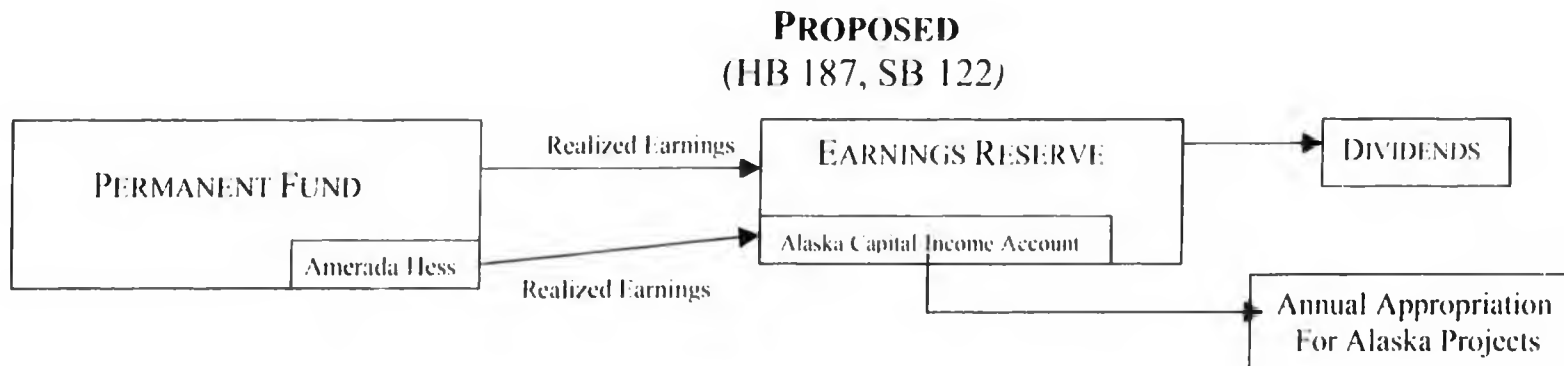
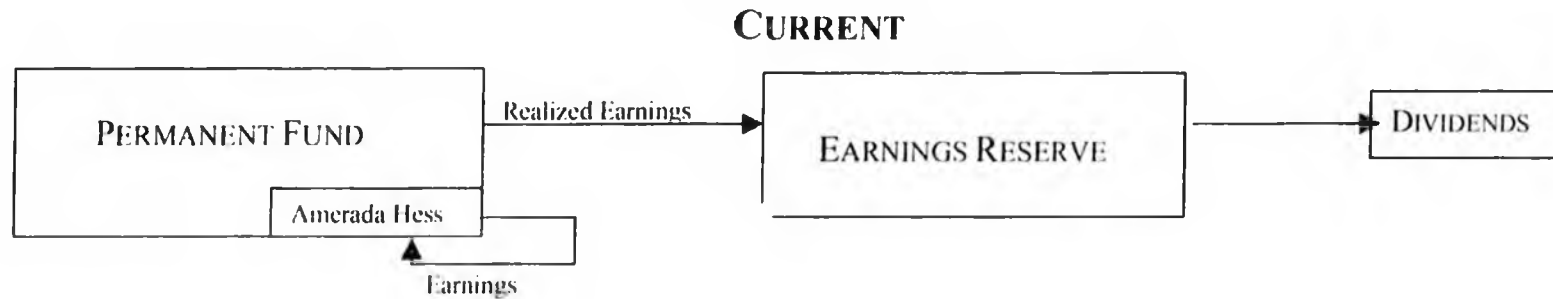
The Result . . .

- Settlement account placed in Permanent Fund
 - But earnings specifically excluded from dividend calculation
- Balance grown to \$424 million from \$82 million
- Unlike dividend, there has been no “return” to Alaska’s economy
- Proposal: Put this settlement to work for Alaska?

The Legislation . . .

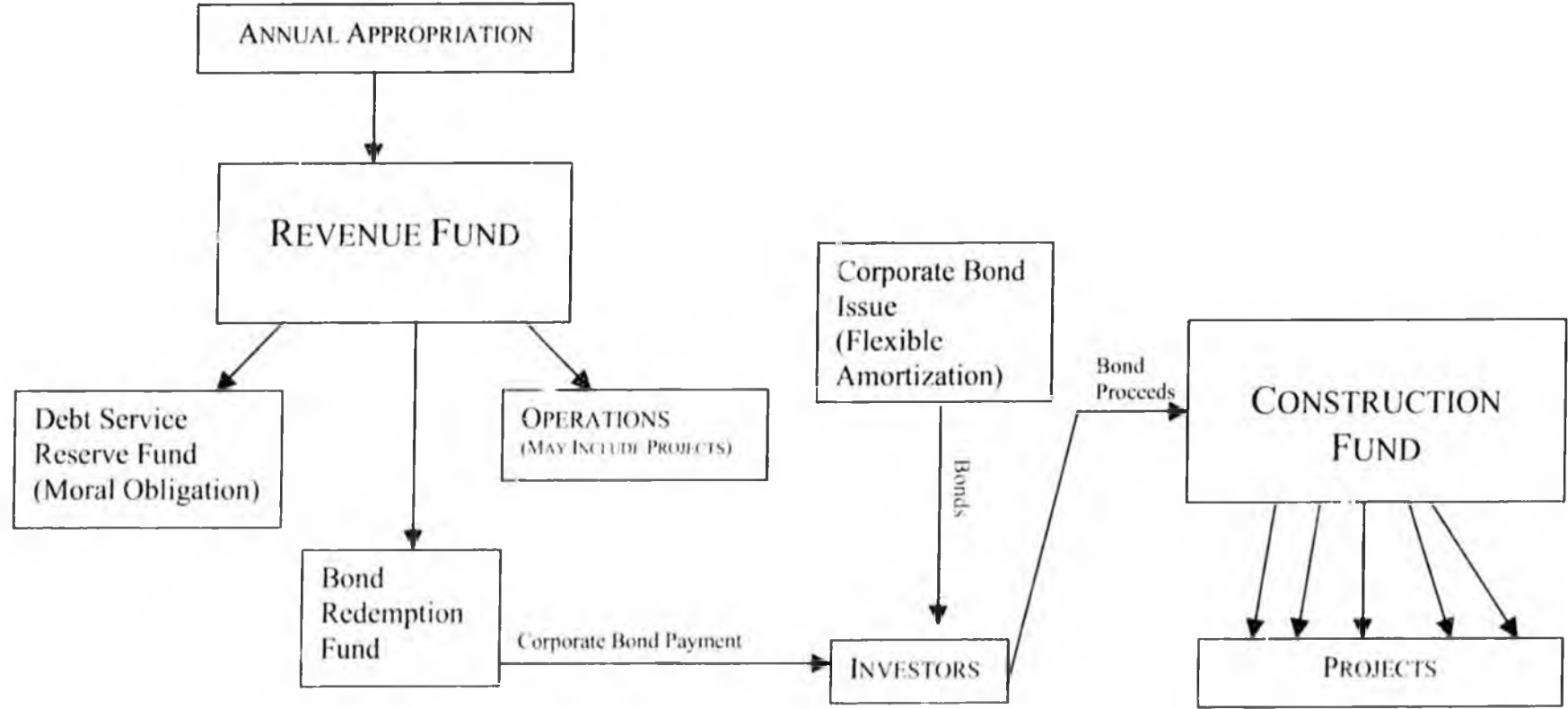
- HB 187/188 and SB 121/122
 - Creates way to leverage annual earnings by issuance of bonds to finance capital projects
 - Pay bonds off with settlement's annual earnings
 - » Estimated at \$30 million annually
 - Flexible payoff schedule in case earnings are down for a period of time
 - Protects the state's good bond rating

Alaska Capital Income Account



State of Alaska Capital Corporation

(HB 188, SB 121)



Capital Projects . . .

- Governor's capital budget proposes to tap \$340 million in bond proceeds to finance capital projects
- Projects include:
 - Transportation Initiative - \$145 million
 - Deferred maintenance - \$59 million
 - University projects - \$31 million
 - Match Federal transportation funds - \$72 million

Transportation Initiative

- “Bottleneck Busters” - \$97 million
 - Anchorage mid-town congestion - \$26 million
 - Glenn Highway corridor - \$31 million
 - Mat-Su congestion - \$21 million
- Tourism Promotion - \$11 million
 - Cooper River Hwy rehab - \$4 million
 - McCarthy Road - \$2 million
 - Stampede Trail - \$5 million

Roads to Resources

- Gasline infrastructure - Bridges
 - Shaw Creek Richardson Hwy - \$2.5 million
 - Washington Creek/Dalton Hwy - \$3.5 million
 - Northbound Chena overflow - \$11 million
- DeLong Mt. Port Expansion - \$2 million
- North Slope
 - Foothills West road EIS - \$5 million
 - Dalton Highway surface upgrade - \$9 million