

**ALASKA LEGISLATURE**

**2244**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2001 - 2002**

Central Council  
**Tlingit and Haida**



Indian Tribes of Alaska

CENTRAL COUNCIL  
TLINGIT AND HAIDA INDIAN TRIBES OF ALASKA  
ANDREW P. HOPE BUILDING  
320 West Willoughby Avenue • Suite 300  
Juneau, Alaska 99801-9983

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April 10, 2001

The Honorable Jim Whitaker  
Alaska State Representative  
State Capitol, Room 411  
Juneau, AK 99801-1182

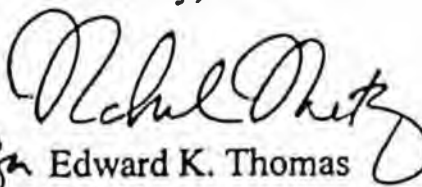
Dear Representative Whitaker:

The Central Council of Tlingit and Haida Indian Tribes of Alaska supports HB 187, "An Act relating to the destruction, desecration, and vandalism of cemeteries and graves."

As Native people, our ancestors and their burial sites are sacred to us. Any malicious destruction or vandalism to our graves, whether in a western cemetery or not, is emotionally painful. We appreciate your effort to strengthen the penalty for violating AS 41.35.200 from a class A misdemeanor to a class C felony, and hope the passage of this bill discourages future acts of desecration to cemeteries and other burial sites.

Thank you for introducing this legislation. Please feel free to contact me if you wish to discuss HB 187 or any other issues.

Sincerely,

  
for Edward K. Thomas  
President



**Sitka Tribe of Alaska**  
Tribal Government for Sitka, AK

**Fax Transmission**

To: Rep. Whitaker

Company: State of Alaska

Fax # 465-2070

Date: 4/4/01

From: Bob Sam

# of Pages 2 Including Cover

Re: H. B. 187

**Message**

I am interested in  
testifying in person to  
support this very  
important bill. Thank you  
for sponsoring this bill.

Bob Sam

To: Rep. Jim Whitaker  
Alaska State Capitol Room 411  
Juneau, Alaska 99801

Re: HB 187

Dear Sir:

I am very interested in going on record in support of HB 187. "An act relating to the destruction, desecration, and vandalism of cemeteries and graves."

I am involved with the restoration, preservation, and protection of cemeteries and gravesites in Alaska. Since 1986 I have restored over 15 historical cemeteries and received the 1988 volunteer of year award from the State of Alaska for this service. I have also received recognition locally, statewide, nationally and internationally for my work in this area. Therefore I feel that I have many years of first hand experience in cemetery preservation and maintenance.

Sir, for many years, vandalism, desecration, and cemetery destruction has taken its toll on cemeteries and gravesites all across Alaska. On a daily basis cemeteries and gravesites are disappearing due to neglect and destruction. When a community neglects its historical gravesites and ignores their duty to preserve, protect, and honor their ancestors a grave concern occurs as some community members begin to feel that it is ok to vandalize and destroy our sacred cultural heritage sites.

Another grave concern is theft of grave artifacts associated with cemetery desecration and neglect. Currently there is a lucrative market of Alaska Native artifacts and headstones with Alaska Native symbols on them. As a caretaker of cemeteries and sacred sites often I have to tell family members that their ancestors were desecrated and/or destroyed from vandals. The families of the deceased are victims of this abuse and often times their pleas go unnoticed as there are few laws in Alaska that relates to the desecration, destruction, and vandalism of cemeteries and graves.

Rep. Whitaker, thank you for sponsoring HB 187 this bill will help to preserve, protect and honor our ancestors for many years to come. I fully support HB 187 on grave concerns.

Respectfully



Robert Sam  
Cemetery Caretaker  
Sitka Alaska



CITY OF

FAIRBANKS

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March 27, 2001

Representative Jim Whitaker  
 Alaska State Capital  
 Room 411  
 Juneau, AK 99801-1182

Re: House Bill 187

Dear Honorable Representative Whitaker:

I am writing you in support of your sponsorship of House Bill 187. Your proposed bill will be a deterrent and a protector for the City of Fairbanks' cemeteries, and for all cemeteries throughout Alaska.

As you are well aware, the City of Fairbanks is responsible for Clay Street Cemetery and for Birch Hill Cemetery. In the past, there have been numerous occasions where graves and monuments of the deceased, as well as, personal items belonging to families of the deceased have been vandalized, stolen, or desecrated. Clay Street Cemetery, a historical site where many "old timers" have been laid to rest, has unfortunately been vandalized repeatedly. For example, Mary Pedro, Felix Pedro's wife has had her headstone broken, painted, and removed many times by vandals. Birch Hill, the city's current and active cemetery has also experienced numerous vandal attacks. Deterring this destructive behavior has been difficult with the current laws. Also, our budgetary situation eliminates any possibility of placing a 24-hour guard at these locations.

As the "Cemetery Desecration Laws in Other States" report explains, there are currently Federal laws protecting certain sections of cemeteries, i.e., the Archaeological Resources Protection Act of 1979, the Native American Graves Protection and Repatriation Regulations Act of 1990, and the Veterans' Cemeteries Protection Act of 1997. However, your House Bill 187 will be a deterrent to all vandals, in all sections, of Alaskan cemeteries. Once enacted, your bill will change the law for those people obtaining perverse enjoyment by desecrating a cemetery, from a misdemeanor to committing a crime of criminal mischief in the second degree.

Representative Whitaker, since Alaska is a multi-cultural state, I trust you will share with your fellow representatives the importance of individuals expressing their cultural heritage through their various ways of grieving and burying their deceased. Additionally, I urge your colleagues, in the House of Representatives, to understand the monetary value associated with the loss of a family member is nil, when compared to the emotional loss a family suffers when a loved one passes and later discovers the grave site has been

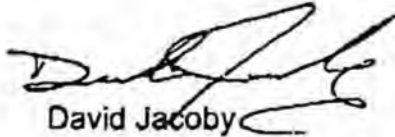
*the GOLDEN HEART CITY ... "extremely Alaska"*  
 800 Cushman Street • Fairbanks, Alaska 99701-4615

desecrated. It is appalling that these misguided people who have desecrated burial sites are only charged with a misdemeanor. That is why I urge your colleagues to support House Bill 187 to change the law from a misdemeanor, to committing a crime of criminal mischief in the second degree for deplorable behavior relating to the destruction, desecration, and vandalism of cemeteries and graves.

Thank you for your continued support of the City of Fairbanks and the great State of Alaska.

Respectfully,

CITY OF FAIRBANKS



David Jacoby  
Public Works Director  
2121 Peger Road  
Fairbanks, AK 99709  
(907) 459-6896

**HB**

**191**

HFIN

FILE



# 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>BOROUGH 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**  
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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  
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8 **INTENT.** It is the intent of the legislature that the state take full advantage of  
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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  
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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
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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
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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 4th 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
	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 Nicholas Road BST	2,550,000
	Thorne 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	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

## 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

## Will GARVEE Bonds overheat the construction sector?

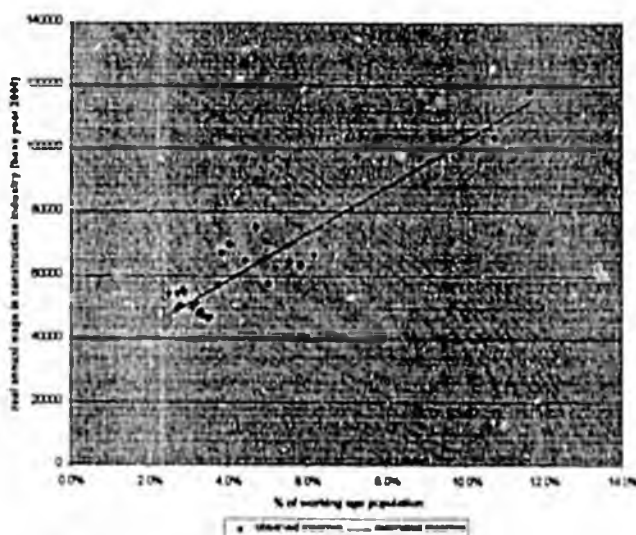
- ◆ In short, no.
- ◆ Construction sector can add between 1,000 and 2,000 workers without inflation impact.
- ◆ Highway construction employs 70 workers per \$10 million
- ◆ Thus increase of \$140 - \$280 MM is ok
- ◆ GARVEE Bond proposal spends over 5 years, peaking at \$115 MM

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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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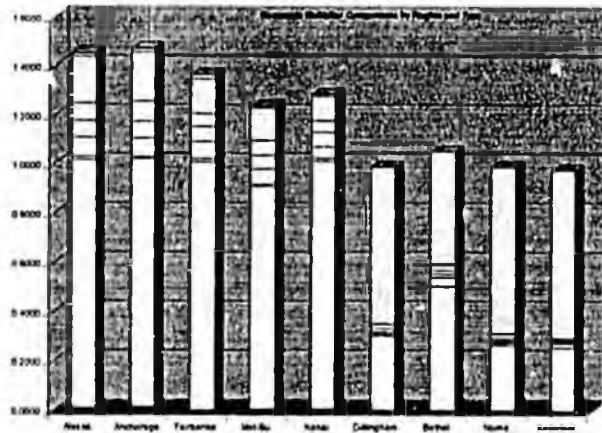
## GARVEE Impacts - Costs

- ◆ 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.

## 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)

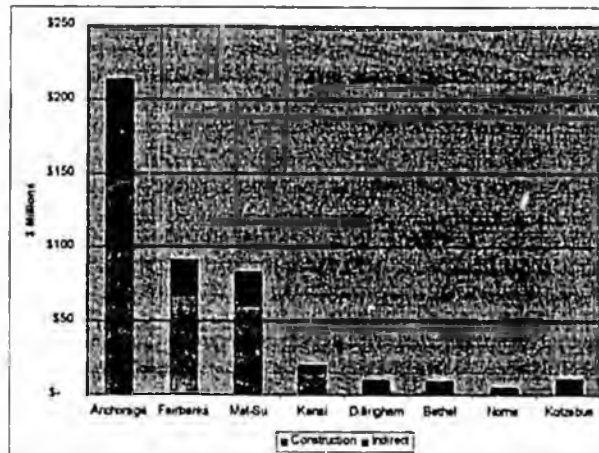
## Labor Income Impacts

- ◆ 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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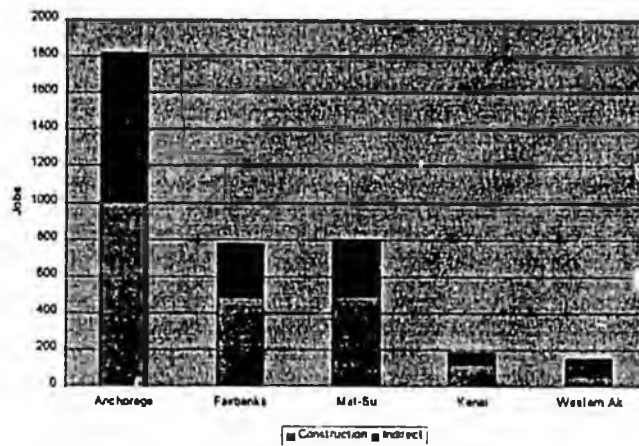
## Western Alaska Summary

- ◆ 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.

**HB**

**191**

SFIN

FILE

HB 191

was referred to the  
Senate Finance  
Committee

Hearing(s) were held

The bill did not move  
from Committee

# FISCAL NOTE

STATE OF ALASKA  
2002 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB191(FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title Financing for Transportation Projects BRU Revenue Operations  
Component Treasury  
Sponsor House Finance Committee  
Requester Senate Finance Committee Component No. 121

**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						
Travel	20.0	10.0				
Contractual	21.0	20.0	20.0	20.0	20.0	20.0
Supplies	1.0					
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		21,746.0	41,068.7	41,039.9	41,004.7	40,954.6
<b>TOTAL OPERATING</b>	<b>42.0</b>	<b>21,776.0</b>	<b>41,088.7</b>	<b>41,059.9</b>	<b>41,024.7</b>	<b>40,974.6</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
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		21,746.0	41,068.7	41,039.9	41,004.7	40,954.6
<b>TOTAL</b>	<b>42.0</b>	<b>21,776.0</b>	<b>41,088.7</b>	<b>41,059.9</b>	<b>41,024.7</b>	<b>40,974.6</b>

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						
Part-time						
Temporary						

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

See Page 2 for analysis.

We assume the project list and construction costs in this legislation left over from last session will be updated this year, which will change the debt service projections in the fiscal note. The department will submit a new fiscal note at that time.

Prepared by: Devan Mitchell, State Debt Manager Phone 465-3750  
Division Treasury Division Date/Time 4/9/02 3 30 PM  
Approved by: Larry Persily, Deputy Commissioner Date 4/9/2002  
Agency Department of Revenue

**Department of Revenue Fiscal Note and Bill Analysis**  
**CSHB191 (FINANCE) – April 9, 2002**

**BOND ISSUE**

The legislation authorizes the State Bond Committee to issue \$395.45 million in bonds for transportation projects statewide. Included in that amount are the costs of issuing the bonds and six months of capitalized interest on the bonds. Leases entered into by the Alaska Department of Transportation and Public Facilities will secure the bonds. 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 the bond proceeds. However, the bonds will carry the moral obligation pledge of the state General Fund and payment of debt service will be expected regardless whether the 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 (making the first interest payment with bond proceeds), no principal payment the first two years, and 15 annual principal payments, the annual debt service would level out at approximately \$41 million in FY2004. 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 \$3.7 million, or cumulatively \$53.9 million. The Federal Highway Administration allows bond issuers to pay their match obligation earlier and receive a present-value credit for the payment. Since a payment today is worth more than a payment in the future, the state's cumulative match requirement becomes smaller in nominal dollars if paid earlier. Based on initial analysis it appears all of the state's match requirement can be made from interest earnings during the first five years of bond payments.

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 \$395.45 million in authorized bonds will be issued as quickly as possible. All funds will be invested until expended.

4/11/02

**Testimony to the Senate Finance Committee  
Commissioner Joseph L. Perkins  
Alaska Department of Transportation and Public Facilities  
04/10/2002**

- *Rep. Eldon Mulder will introduce you. Come forward and remain at the table for the duration of the hearing.*
- **Thank you Mr. Chairman and Representative Mulder. I appreciate the opportunity to address House Bill 191 and to answer any questions the committee might have regarding GARVEE bonds. Rather than have you listen to me for the next hour and a half, I have asked several experts to join me here today to address the committee. If it's alright with you, Mr. Chairman, I'll introduce them to you as we go along and then I'll sum up at the end.**
- **I'd like to start off by asking my counterpart from the New Mexico State Highway and Transportation Department to talk about the success of the New Mexico GARVEE program. Pete Rahn has served in the position of Cabinet Secretary since 1995. Pete and I also have another thing in common – we are both former presidents of the Western Association of State Highway and Transportation Officials. I'm very happy that he could join**

us today to talk about his program and respond to concerns and misconceptions some people have expressed about the New Mexico program.

- *Pete Rahn, Executive Director NMSHTD – Discusses New Mexico GARVEE experience and answers questions*

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②  
Mr. Chairman, an important aspect of Alaska's GARVEE program is the ability to use the interest earnings on the bond proceeds to pay the state match. Many of you have seen the letter we provided to the committee from the Federal Highway Administration that approved this concept. Today, Jennifer Mayer is here from the Federal Highway Administration. I'd like to ask her to join me at the table next. Jennifer is the Innovative Finance Specialist from FHWA's Western Resource Center in San Francisco. She is Fed Highways' national expert on GARVEEs. She has been very helpful to us in developing Alaska's program.

- *Jennifer Mayer, Innovative Finance Specialist, FHWA – GARVEE overview*

③  
Mr. Chairman, I'd now like to have my colleague from Colorado speak briefly about his state's experience. First, let me refer you

to a letter from the President of the Colorado AGC Chapter. Mr. Lower stated, "There is no question that being able to advance projects is good, both for the state and the construction industry. They allow earlier completion and use by the citizens, and there is some savings on future construction costs-dependent on inflation..." Colorado AGC likes GARVEEs. Tom Norton is a civil engineer and has worked more than 30 years in the engineering private sector. Prior to his appointment to the position of Executive Director of the Colorado DOT in January 1999, Tom spent 12 years in the Colorado Legislature, including six years as Senate President. Thanks for joining us today, Tom.

- *Tom Norton, Executive Director CDOT – Discusses Colorado GARVEE experience and answers questions*

- Mr. Chairman. One good barometer of the quality of the GARVEE bond concept is how well they are accepted by the financial markets. In the past, many of you have been visited by various bankers and underwriters. Today, we have with us Mr. Tim Rattigan from Solomon Smith Barney. Tim is an investment banker who will discuss the market's acceptance of GARVEE financing.

- *Tim Rattigan, Solomon Smith Barney – Bond Community Perspective*

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- **Mr. Chairman.** Some people have expressed an interest in whether or not GARVEE bonds as proposed pass constitutional muster. We provided the committee with a letter from the Attorney General that confirms that the bonding mechanism used in HB191 is a legal method for financing transportation projects. Today, Mr. Eric Wohlforth with the law firm of Wohlforth, Vassar, Johnson, and Brecht has joined us to address these issues and answer any legal questions you may have. Mr. Wohlforth's firm has served as underwriter's counsel for many of Alaska's prior bond packages. *(Note: No one was available from the AG's office.)*

- *Eric Wohlforth – Speaks to Alaska constitutional/legal issues*

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- **\*\* (TIME PERMITTING)** Mr. Chairman, to share with you a little more detail about the New Mexico GARVEE program, we have with us here today, Mr. Charlie Trujillo. Mr. Trujillo is the Deputy Secretary of Transportation Planning and Design for the New Mexico State Highway and Transportation Department.

- **\*\* (TIME PERMITTING) Charlie Trujillo – New Mexico**

*GARVEE overview*

- ① ▪ **Mr. Chairman, today we heard from many experts about various aspects of GARVEE bonds. We heard about the success of the Colorado and New Mexico GARVEE programs. Now those programs are big! By Comparison, Mr. Chairman, Alaska's is a very modest proposal. The debt service on Alaska's proposed bond package is around 10% of our current federal program. The proposed package will result in about \$219 million in actual highway construction costs, and those costs will be spread over five years. This won't overheat the economy. We could do much more.**
- **We also heard the Federal Highway Administration talk about the success of GARVEE bonds nationally. They also credited Alaska with developing the concept of using the interest on the bond proceeds to pay the state match. That approach is currently being copied by other states in developing their GARVEE programs.**
- **Mr. Chairman, the committee also heard from the bond community and a respected legal expert. Their testimony**

confirms that GARVEE bonds are very well received by the financial markets, that there is no better time to sell bonds, and that the proposed bonding method is perfectly legal.

- Mr. Chairman, I'd like to also reassure this committee of a couple of things. First, that there isn't a big decrease in federal funding in Alaska's future. Although we thank our congressional delegation for bringing home millions of dollars of earmarked appropriations every year, Alaska's share of the FHWA formula program is not as dependent on their clout. The earmarks provided by our Congressional Delegation are in addition to our formula funds. The formula, of which Alaska get approximately 1% of the <sup>national</sup> ~~material~~ total each year, is reauthorized next year by Congressman Young's committee. We should do quite well. The size of the program is dependent on nationwide gas sales with the Federal Tax of 18 cents placed in the Highway Trust Fund. I don't see our use of gasoline going down dramatically. In my view, Alaska will continue to receive formula funding at or above the level we receive today. The true test is what our bond buyers believe – GARVEE Bonds are selling.

- **Second, Mr. Chairman, I want the committee to know that we worked very closely with the communities to develop the list of projects in the GARVEE proposal. I have a handout that identifies the projects.** *(mention the many communities and groups that have endorsed GARVEE'S.*
- **Mr. Chairman, I would urge the committee's favorable consideration of HB191. I appreciate the opportunity to speak with you and I would be happy to answer any questions at this time. I think there may be others who wish to speak.**



# **Alaska**

# **GARVEES:**

## **Grant Anticipation Revenue Vehicles**

**HB191**

**Alaska Department of Transportation  
and Public Facilities**

**Senate Finance Committee  
April 11, 2002**



## Benefits of GARVEE financing

- X Substantial general fund savings over the course of the bond issue.
- X Eliminates the need for State General Fund match support for projects. Using interest earnings to pay for state match.
- X Lock-in today's construction cost and reduce exposure to inflation
- X Debt service payments will come from federal highway funds.
- X Frees up funds for other STIP projects.
- X Important projects can be built sooner than originally scheduled.
- X Large projects built without impact on remainder of highway construction program.
- X Early implementation of Southeast Alaska Transportation Plan.
- X Increased percentage of private sector design contracts.
- X Improved safety, reduced congestion, increased economic output.
- X Provides a tool to spur economic activity.
- X Projects will be built within 5 years with only a 10% or less reduction in the annual highway program for debt service payments over a period of 15-18 years.



## Frequently Asked Questions

### *Will future federal highway funds dry up?*

**Unlikely.** Federal highway funds will continue to increase as fuel consumption increases (federal fuel tax receipts). The financial markets are very comfortable with GARVEEs, as there is little risk of federal highway funds being reduced.

### *Are there enough in-state contractors to do the work?*

**Yes.** Industry has the capacity to meet the demands of these and our other programmed projects.

Construction of buildings does not compete measurably with road construction because the labor pool is different for each. Recent bid results reflect between 4-6 contractors bidding on each highway job, an indication of the capacity of the industry to absorb this modest increase in construction activity.

### *Will accelerating these projects overheat the economy?*

**No.** The total highway construction cost is \$219 million. Construction of the GARVEE projects will be spread out over 5 years. The average yearly expenditure will be less than 1 % of the total amount of all construction in Alaska, which is roughly \$4 billion annually.

### *Are we denying future generations highway funds?*

**No.** Debt repayment period is relatively short and amounts to only a 10% or less reduction in the total highway annual program. In the meantime, everyone benefits from projects sooner rather than waiting. Why wait years to complete a project that people can enjoy the benefit of today? Waiting for the future generations to build the projects that are needed now will only add inflationary costs to the project. Why force our kids to pay more for a project than necessary? Safety delayed is safety denied.

# Project List

## Project Criteria

- X Projects that address safety, capacity, and economic development
- X Projects that can be completed within five years
- X Large projects that may otherwise not be done for many years because of their size
- X Project list developed with extensive community involvement

Anchorage: 9th Avenue - L Street to Ingra Street	700,000
Anchorage: A/C Couplet, 6th Avenue to 40th Avenue	6,250,000
Anchorage: Abbott Loop North Extension	15,000,000
Anchorage: Bragaw Street - Glenn Highway to Debarr Road	625,000
Anchorage: C Street Phase III, Dimond Blvd. to O'Malley Road	28,750,000
Anchorage: Glenn Highway, Gambell Street to McCarrey Street	58,180,000
Anchorage: Lake Otis Parkway - Abbott to O'Malley and Debarr to Northern Lights	2,600,000
Anchorage: Mountain View Drive - Commercial Drive to Glenn Highway	420,000
Anchorage: Northern Lights/Benson Blvds., Forest Park Drive to Lake Otis (Couplet)	3,000,000
Anchorage: Old Seward Highway, Huffman Road to Potter Valley Road	2,000,000
Anchorage: Seward Highway at 92nd-Connection to Old Seward Highway Abbott Road	12,500,000
Anchorage: Seward Highway at International Airport Road Grade Separated Crossing	15,000,000
Anchorage: Spenard Road - McRea to Fireweed Lane	1,500,000
Aniak Area Roads	2,000,000
Bethel: Ptarmigan Street Improvements	1,480,000
Craig: Port Saint Nicholas Road BST	2,550,000
Deering: Cape Deceit Road Improvements	800,000
Dillingham: Wood River Road Reconstruction	3,575,000
Fairbanks: Borough-Wide Roads and Trails	3,100,000
Fairbanks: Downtown Street Improvements	8,000,000
Fairbanks: Illinois-Barnette and Bridge	18,700,000
Fairbanks: Richardson Highway MP 352 to 361 Rehabilitation	11,100,000
Fairbanks: Richardson Highway: North Pole Area Interchange	16,100,000
Galena Area Roads	3,315,000
Haines: MP 3.5 to 25.3 Reconstruction - Airport to Bluffs	3,000,000

## Project List (cont.)

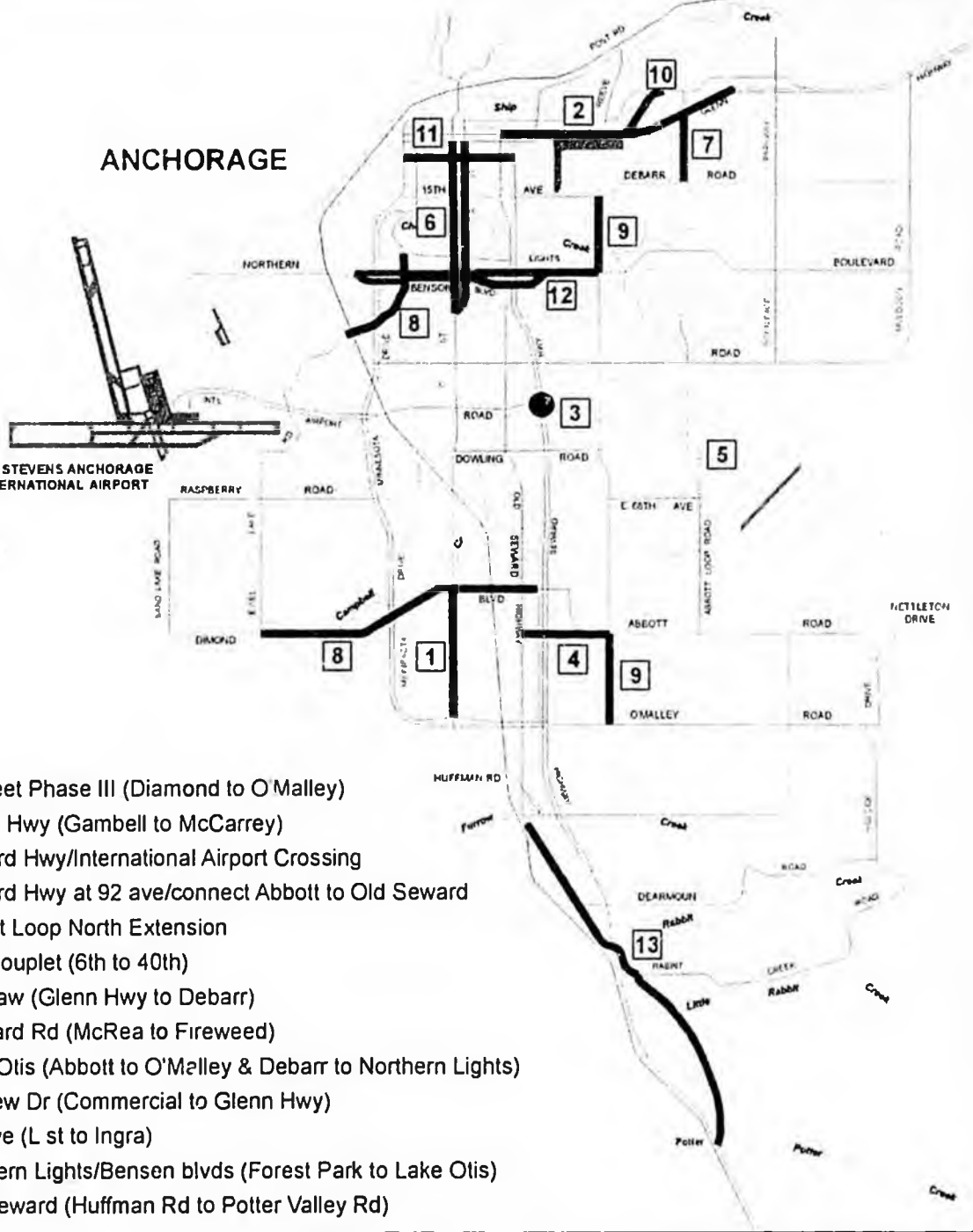
Juneau: Glacier Highway Brotherhood Bridge at Mendenhall River	4,930,000
Juneau: Old Dairy Road Resurfacing and Shoulder Widening	700,000
Juneau: Thane Road Rock Dump to Sheep Creek Reconstruction	900,000
Juneau: Upgrade Back Loop, Montana Creek and Skaters Cabin Roads	3,700,000
Kaltag Area Roads	910,000
Kenai: North Kenai Spur Road MP 22 to 29.7 Repave	10,612,000
Ketchikan Gateway Borough: Road Surface Treatment	600,000
Ketchikan: North Tongass Highway- Ward Cove to Whipple Creek	1,900,000
Ketchikan: South Tongass Highway Widening and Path Extension, Phase I	5,000,000
Kodiak: Chiniak Road Rehabilitation, Phase I	6,000,000
Kotzebue: Ted Stevens Way Reconstruction	4,400,000
Mat-Su: Fairview Loop Path	1,310,000
Mat-Su: Glenn Highway MP 34 to 42 Reconstruction - Parks to Old Glenn	1,500,000
Mat-Su: Glenn Highway State Fairground Access Improvements	500,000
Mat-Su: Old Glenn Highway MP 0 to 18.6 Rehabilitation	13,225,000
Mat-Su: Petersville Road MP 3 to 14	5,400,000
Mat-Su: Seward Meridian Road Parks to Seldon Road	7,525,000
Mat-Su: Trunk Road Reconstruction	9,150,000
McGrath Area Roads	968,000
Nome: Bering Street, Seppala Drive and Front Street	5,090,000
Palmer: East Eagle Avenue and Gulkana Street Upgrade	1,200,000
Palmer-Wasilla Highway Expansion	17,850,000
Petersburg: Haugen Drive Upgrade and Path Extension	470,000
Petersburg: Milkof Highway Upgrade	550,000
Saint Mary's Area Roads	2,050,000
Sitka: Sawmill Creek Road Upgrade, Phase I	5,500,000
Soldotna: East Redoubt Avenue Rehabilitation	5,073,000
Southeast Alaska: One Fast Ferry	35,000,000
Thorne Bay: Shoreline Drive Paving	340,000
Wasilla: Roads and Trails	1,120,000
Williamsport-Pile Bay Road Improvements, Phase I	6,000,000
<b>TOTAL</b>	<b>379,618,000</b>

# ANCHORAGE

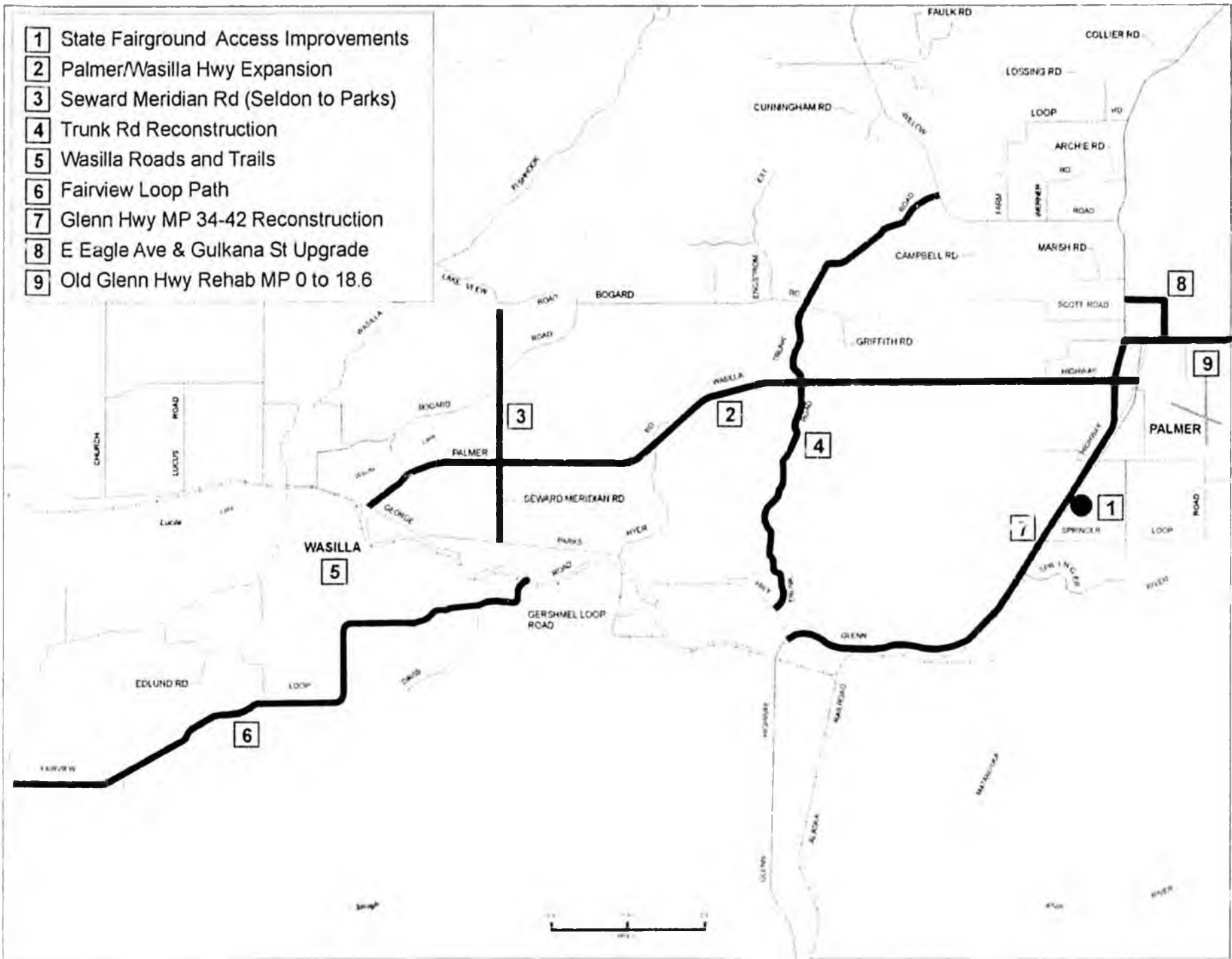
KNIK ARM

TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT

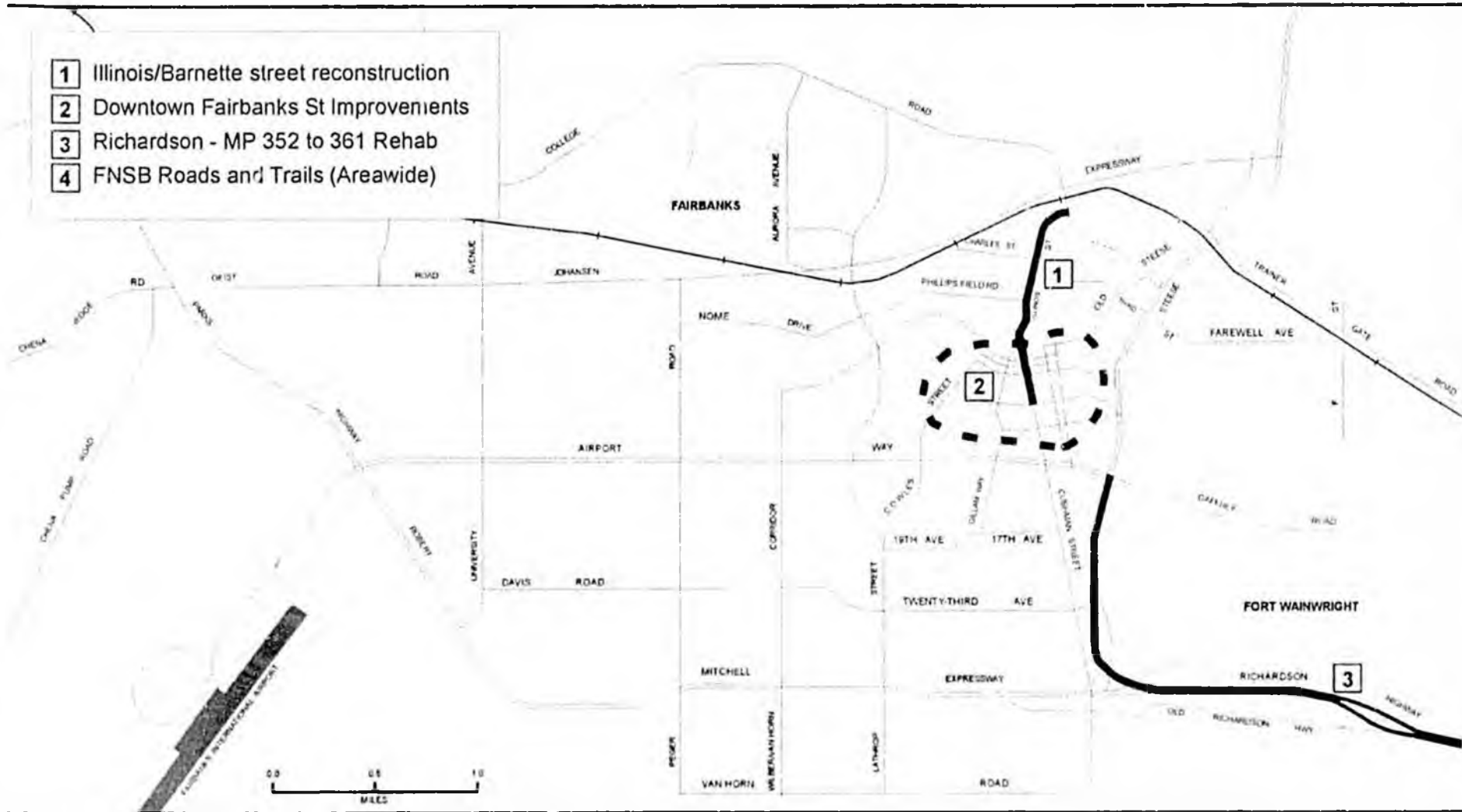
- 1 C Street Phase III (Diamond to O Malley)
- 2 Glenn Hwy (Gambell to McCarrey)
- 3 Seward Hwy/International Airport Crossing
- 4 Seward Hwy at 92 ave/connect Abbott to Old Seward
- 5 Abbott Loop North Extension
- 6 A/C Couplet (6th to 40th)
- 7 Bragraw (Glenn Hwy to Debarr)
- 8 Spenard Rd (McRea to Fireweed)
- 9 Lake Olis (Abbott to O'Malley & Debarr to Northern Lights)
- 10 Mt View Dr (Commercial to Glenn Hwy)
- 11 9th ave (L st to Ingra)
- 12 Northern Lights/Bensen blvds (Forest Park to Lake Olis)
- 13 Old Seward (Huffman Rd to Potter Valley Rd)

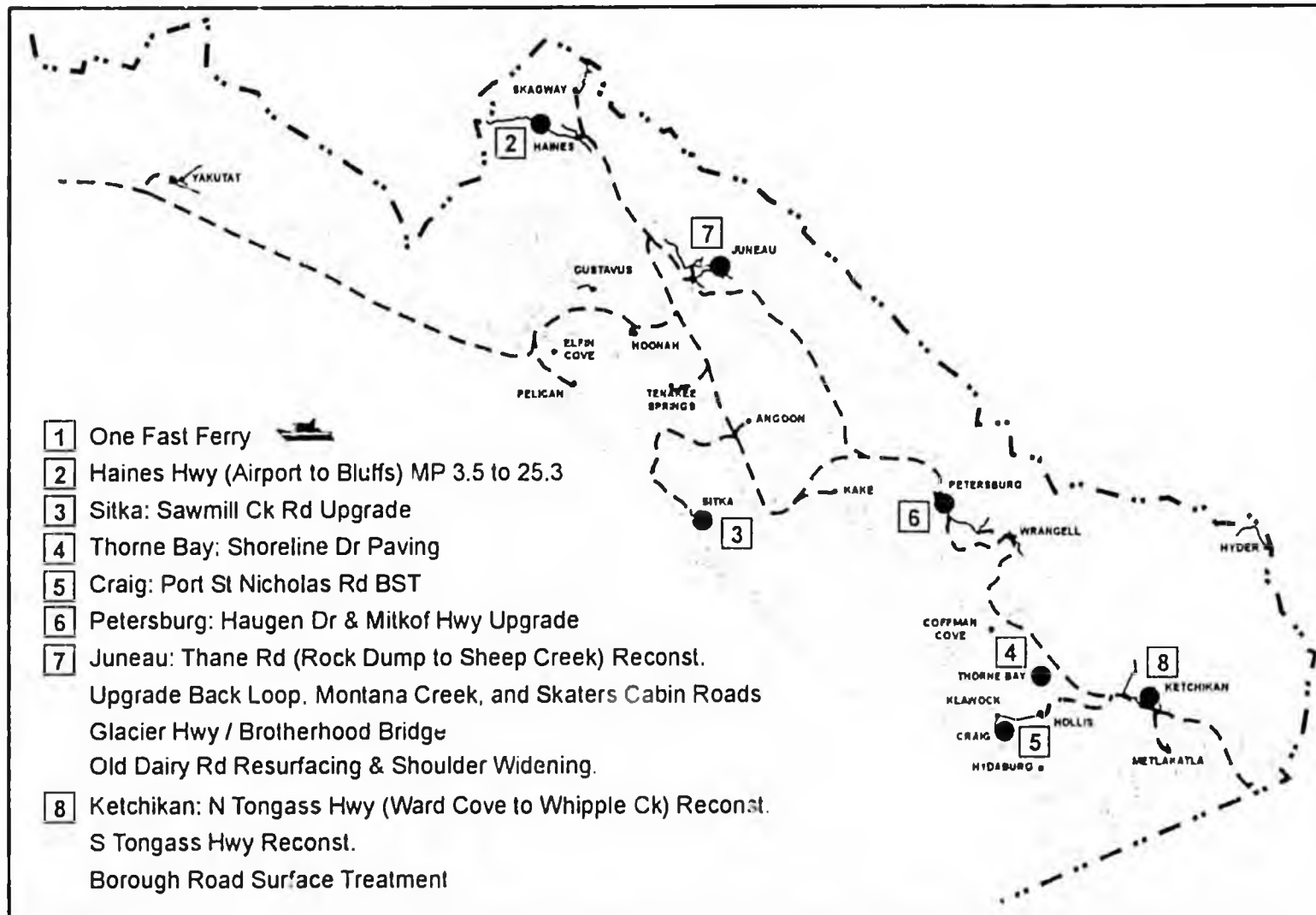


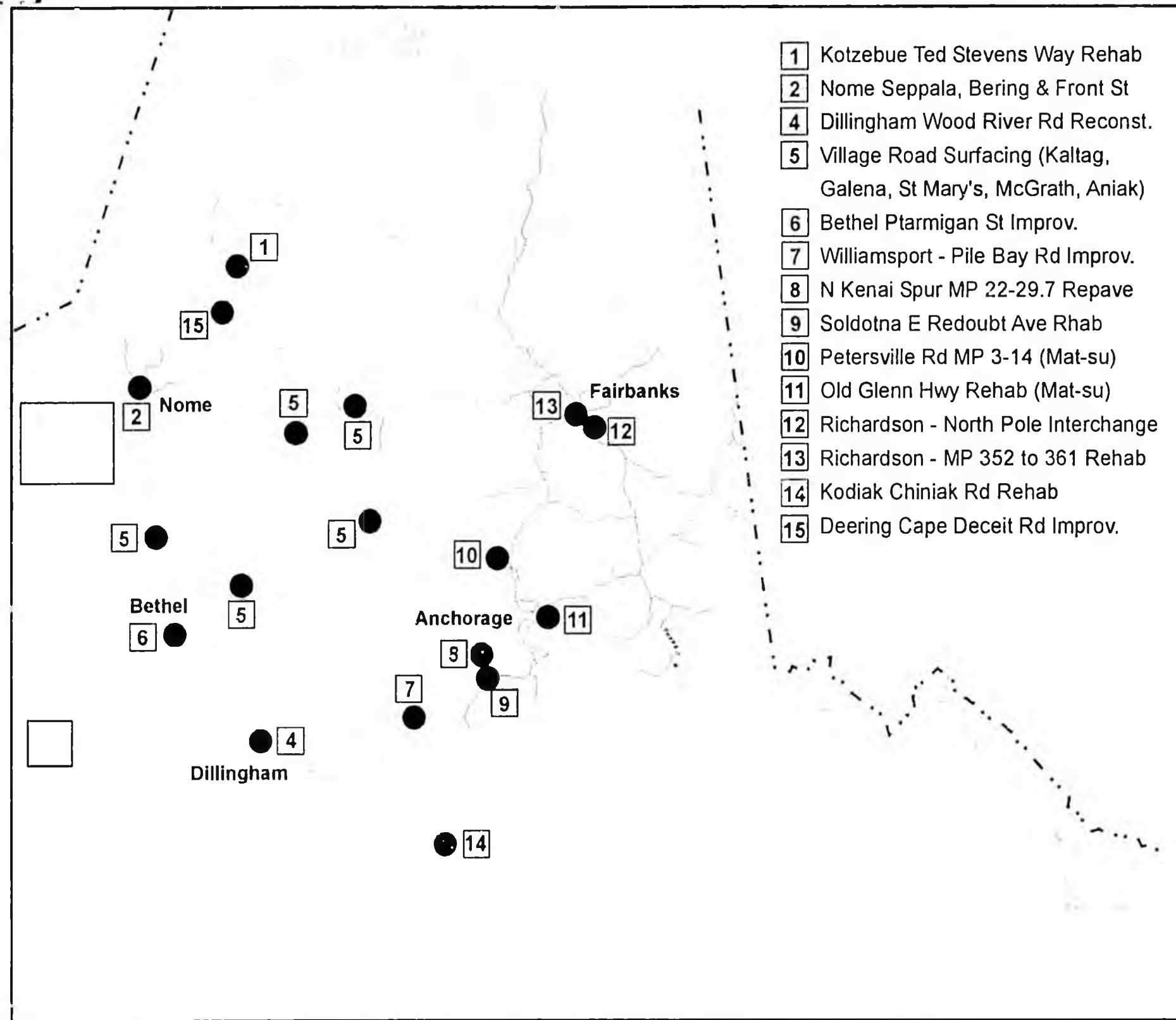
- 1 State Fairground Access Improvements
- 2 Palmer/Wasilla Hwy Expansion
- 3 Seward Meridian Rd (Seldon to Parks)
- 4 Trunk Rd Reconstruction
- 5 Wasilla Roads and Trails
- 6 Fairview Loop Path
- 7 Glenn Hwy MP 34-42 Reconstruction
- 8 E Eagle Ave & Gulkana St Upgrade
- 9 Old Glenn Hwy Rehab MP 0 to 18.6



- 1** Illinois/Barnette street reconstruction
- 2** Downtown Fairbanks St Improvements
- 3** Richardson - MP 352 to 361 Rehab
- 4** FNSB Roads and Trails (Areawide)







- 1 Kotzebue Ted Stevens Way Rehab
- 2 Nome Seppala, Bering & Front St
- 4 Dillingham Wood River Rd Reconst.
- 5 Village Road Surfacing (Kaltag, Galena, St Mary's, McGrath, Aniak)
- 6 Bethel Ptarmigan St Improv.
- 7 Williamsport - Pile Bay Rd Improv.
- 8 N Kenai Spur MP 22-29.7 Repave
- 9 Soldotna E Redoubt Ave Rhab
- 10 Petersville Rd MP 3-14 (Mat-su)
- 11 Old Glenn Hwy Rehab (Mat-su)
- 12 Richardson - North Pole Interchange
- 13 Richardson - MP 352 to 361 Rehab
- 14 Kodiak Chiniak Rd Rehab
- 15 Deering Cape Deceit Rd Improv.



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*Testimony to The State of Alaska*  
*Senate Finance Committee*

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Municipal Bond Market Perspective  
on GARVEE Bonds

April 10, 2002

SALOMON SMITH BARNEY

A member of citigroup

# *Introduction*

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Significant opportunity for accelerating the State's capital construction program through the earlier receipt of financing supported by future federal highway reimbursement

- Generate project cost savings since borrowing costs are ordinarily less than annual inflationary increases in construction
- Reduce borrowing costs for the the State since GANs secured by future Federal Highway Administration (FHWA) funds may be rated higher than the State's existing credit revenue bond rating
- Ability to avoid establishing additional liens on other scarce revenue sources

Federal financing option for roads under Section 308 of National Highway System Designation Act of 1995 (NHSDA)

Logical evolution of traditional FHWA "Advanced Construction" Program

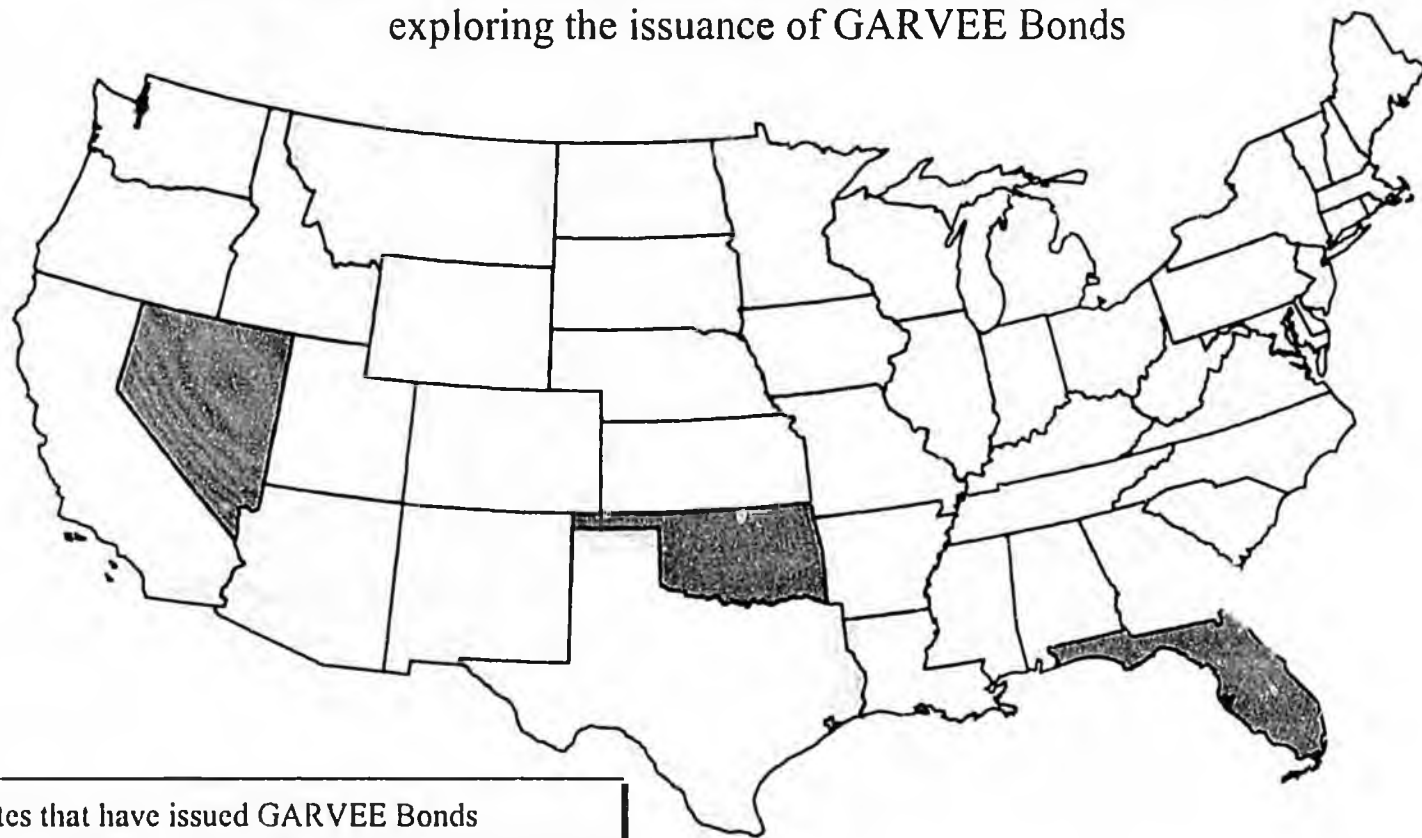
Earlier use of federal FHWA funds otherwise utilized less beneficially in later years



# *States Issuing GARVEE Bonds*

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In addition to Alaska, the following States have issued or are exploring the issuance of GARVEE Bonds



States that have issued GARVEE Bonds

States exploring the issuance of GARVEE Bonds



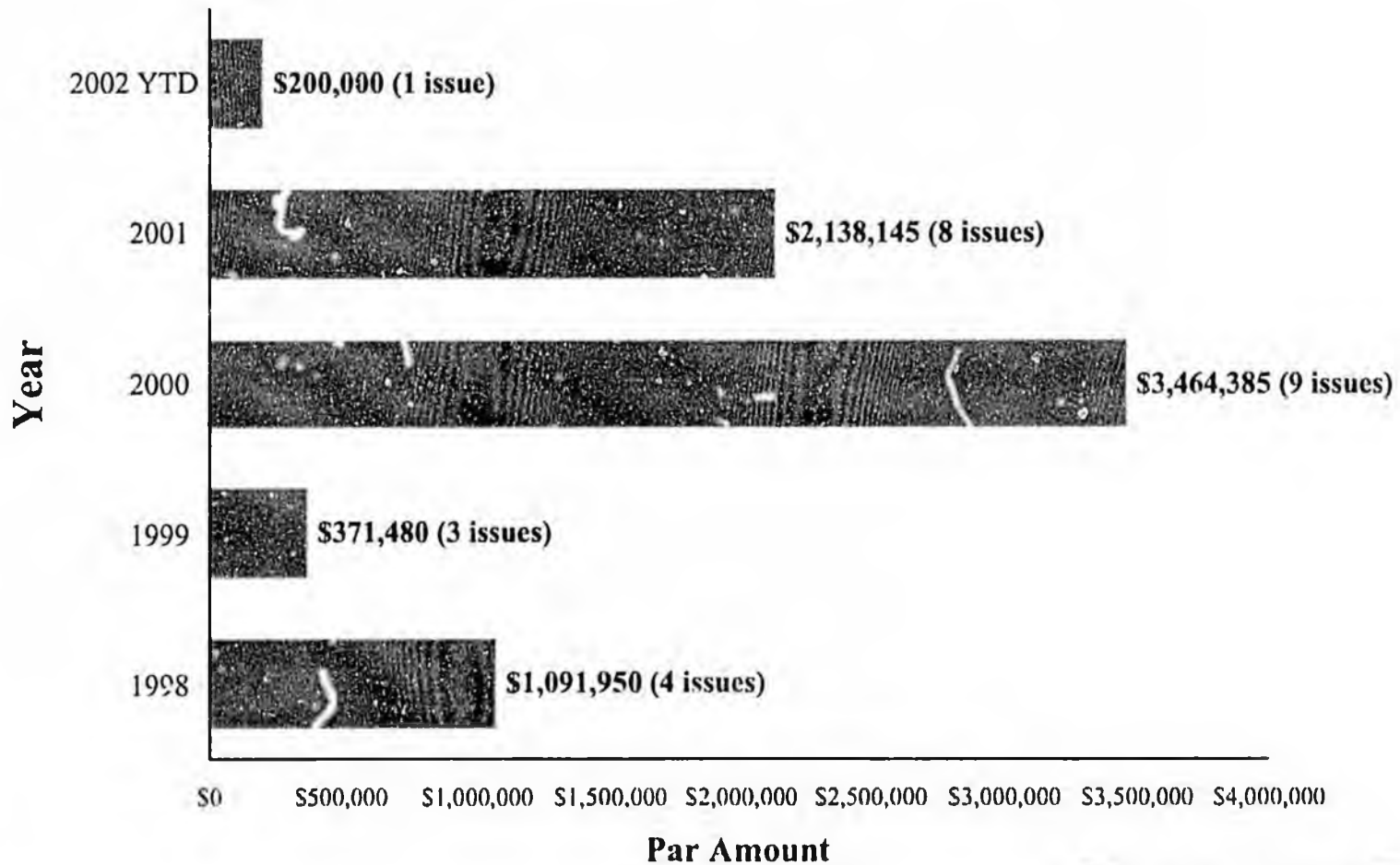
# Previous Issuance of GANs

<u>Issuer</u>	<u>Issue</u>	<u>Dated Date</u>	<u>Par Amount</u>
Alabama	Federal Highway Grant Anticipation Bonds, Series 2002-A	4/1/02	\$200,000,000
Arizona Transportation Board	Grant Anticipation Notes, Series 2000A	7/1/00	39,405,000
Arizona Transportation Board	Grant Anticipation Notes, Series 2001A	5/1/01	142,890,000
Arkansas	Federal Highway Grant Anticipation and Tax Revenue Bonds (General Obligation), Series 2000A	3/1/00	175,000,000
Arkansas	Federal Highway Grant Anticipation and Tax Revenue Bonds (General Obligation), Series 2001A	7/1/01	185,000,000
Assoc of Bay Area Govts	BART SFO Extension Bonds (FTA Capital Grant), 2001 Series A	2/15/01	485,350,000
Colorado Dept of Transportation	Transportation Revenue Anticipation Notes, Series 2000	6/1/00	524,360,000
Colorado Dept of Transportation	Transportation Revenue Anticipation Notes, Series 2001	1/17/01	506,370,000
Georgia State Road and Tollway Auth	Limited Obligation Bond Anticipation Notes, Series 2001	11/16/01	300,000,000
Massachusetts	Federal Highway Grant Anticipation Notes, 1998 Series A	6/1/98	600,000,000
Massachusetts	Federal Highway Grant Anticipation Notes, 1998 Series B	11/15/98	321,720,000
Massachusetts	Federal Highway Grant Anticipation Notes, 2000 Series A	11/15/00	577,605,000
Michigan	Grant Anticipation Notes	7/27/01	400,000,000
Mississippi	Highway Revenue Refunding Bonds (Four-Lane Highway Program Issue), Series 1999	6/15/99	200,000,000
New Jersey Transit Corp.	Certificates of Participation (Series 1999A)	3/15/99	151,480,000
New Jersey Transit Corp.	Certificates of Participation (Series 2000A)	1/1/00	234,115,000
New Jersey Transit Corp.	Capital Grant Anticipation Notes, Series 2000 A	9/1/00	283,540,000
New Jersey Transit Corp.	Certificates of Participation (Series 2000B)	10/1/00	693,140,000
New Jersey Transit Corp.	Capital Grant Anticipation Notes, Series 2000 B and Series 2000 C	11/1/00	562,220,000
New Mexico Finance Authority	Federal Highway Grant Anticipation Revenue Bonds, Series 1998 A	9/1/98	100,230,000
New Mexico Finance Authority	Federal Highway Grant Anticipation Revenue Bonds, Series 2001	2/1/01	18,535,000
Ohio	Major New State Infrastructure Project Revenue Bonds, Series 1998-1	5/1/98	70,000,000
Ohio	Major New State Infrastructure Project Revenue Bonds, Series 1999-1	8/1/99	20,000,000
Ohio	Major New State Infrastructure Project Revenue Bonds, Series 2001-1	9/1/01	100,000,000
Virginia Commonwealth Trans Board	Federal Highway Reimbursement Anticipation Notes, Series 2000	10/1/00	375,000,000
	<b>Total Par Amount Issued</b>		<b>\$7,265,960,000</b>
	<b>Total Number of Issues</b>		<b>25</b>



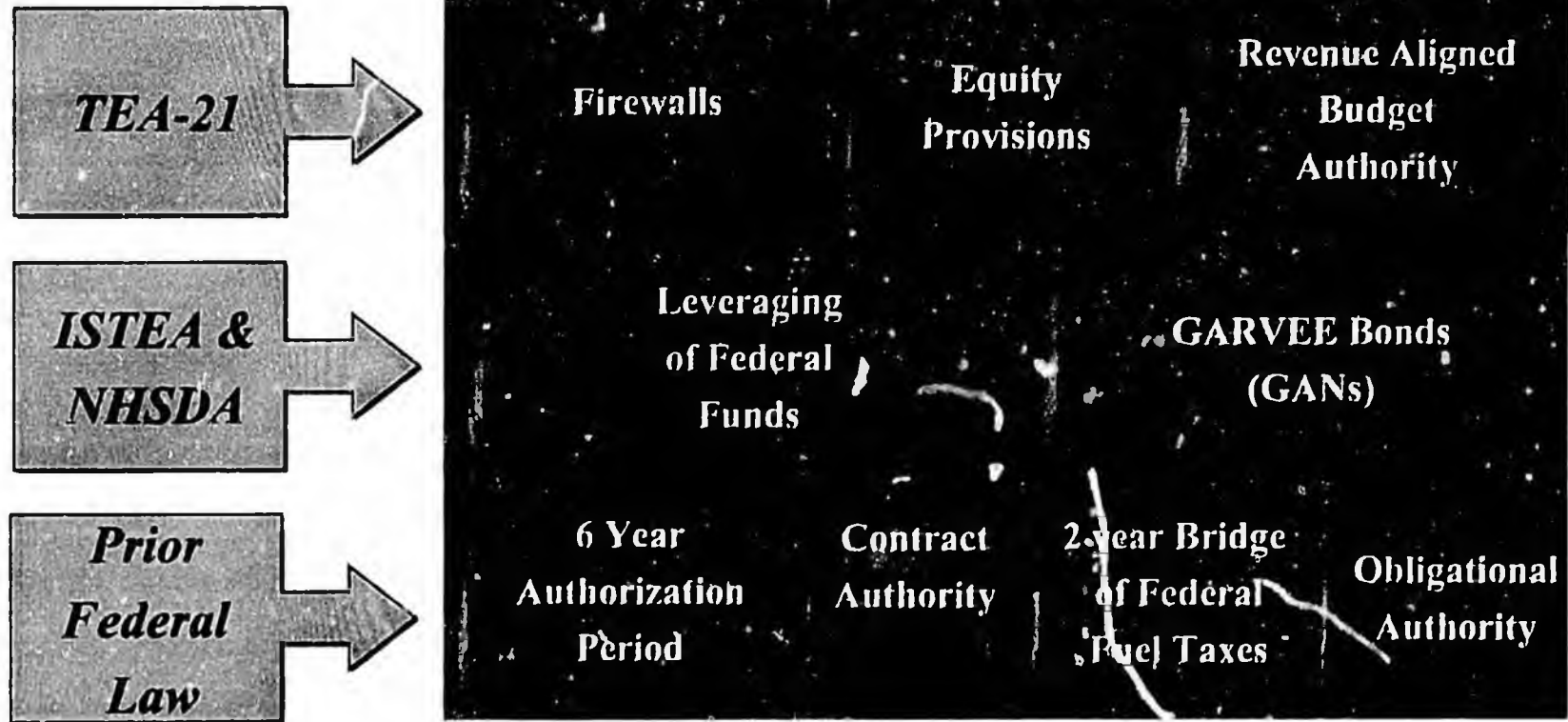
# *Annual Transactions Leveraging Federal Funds*

**Annual GARVEE Bond Issuance (\$000)**



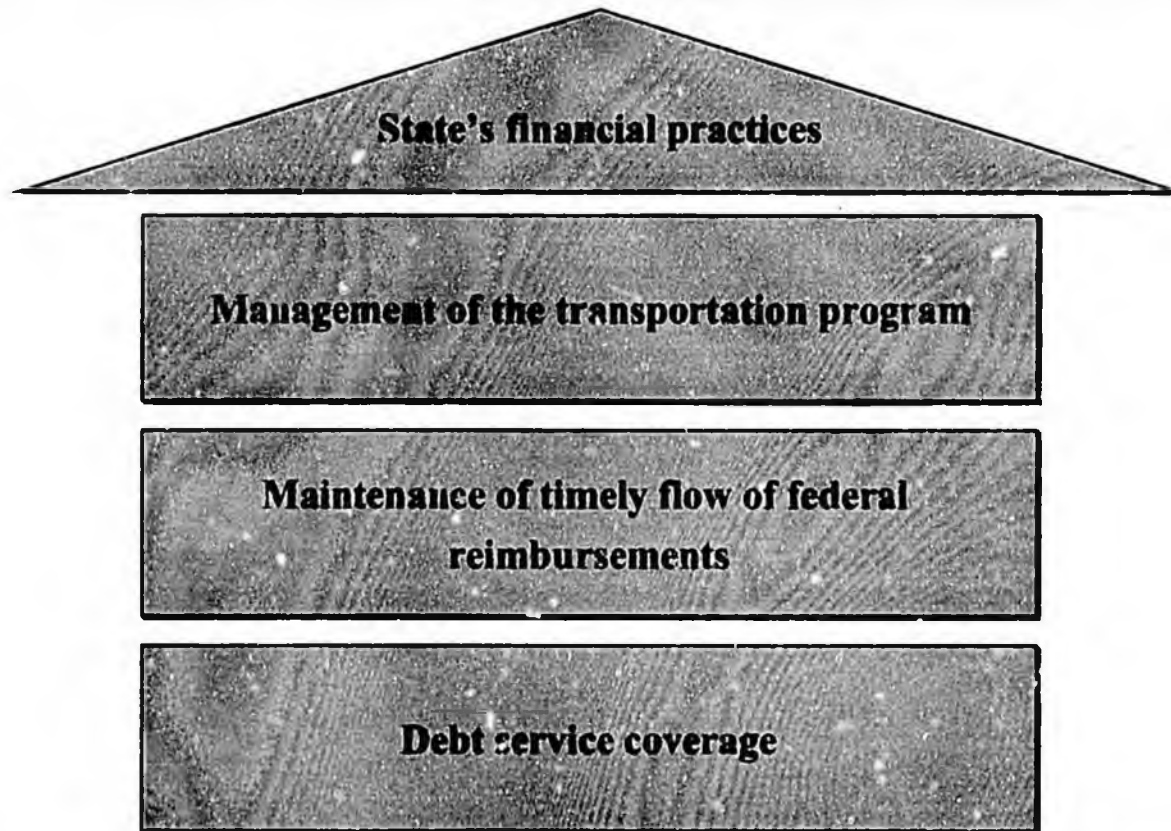
Par Amount

# The Federal Foundation



# ***GARVEE Credit Structure***

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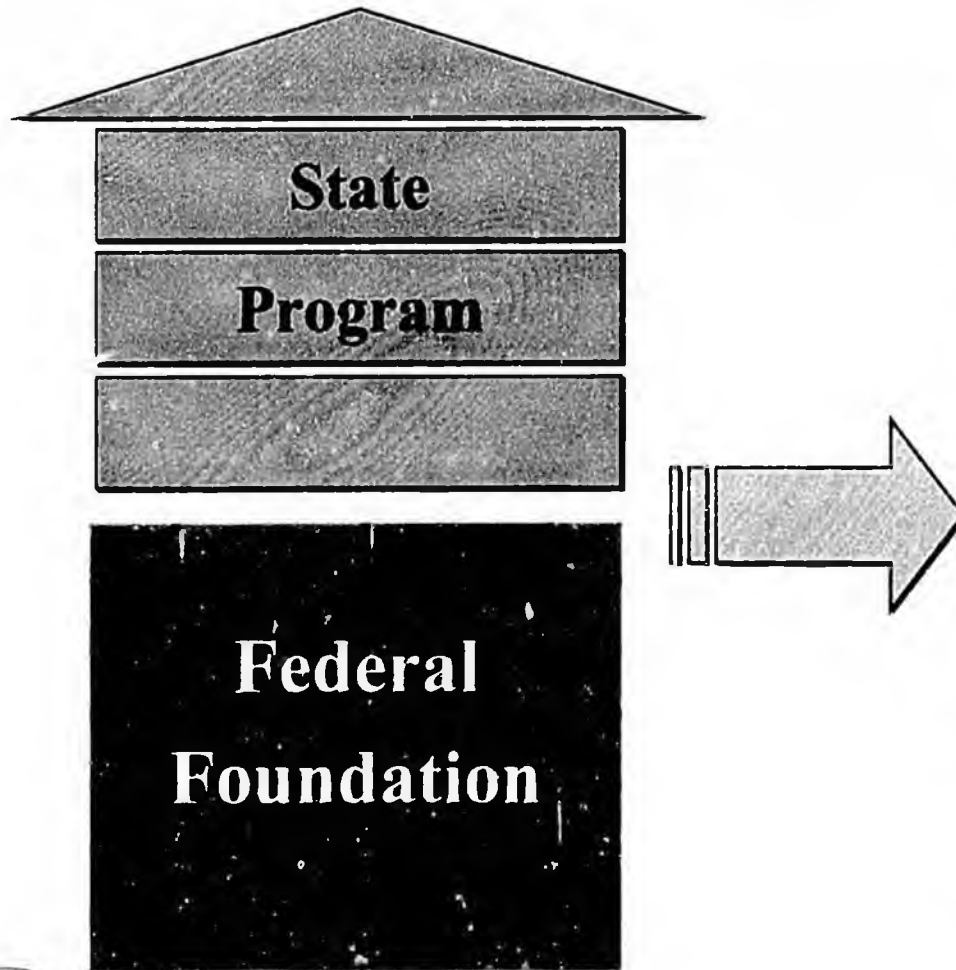


**Federal Foundation**



# Program Goals

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- 🎯 Achieve Double A Ratings
- 🎯 Does not impact State's credit or debt capacity
- 🎯 No other state revenue source is required
- 🎯 Allows for future program flexibility
- 🎯 Improved cash management
- 🎯 Minimizes Federal appropriation risk



# Credit Analysis

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## Rating Agencies



**Moody's Investors Service**  
Global Credit Research



## Concerns and Issues

- Coverage
- Reauthorization of federal legislation
- Legal covenants
- Administration

## Comments

- Double A possible
- GARVEE credit analysis evolving into a highway revenue bond credit analysis

