

Overview of Bond Proposals: \$820 Million for Construction Work Spread Over the Next 6 Years

In a climate of very low interest rates and the upcoming completion of large state construction projects such as Gateway Alaska, the timing is opportune for addressing the most pressing statewide infrastructure and deferred maintenance needs prior to the construction industry becoming heavily involved with a gasline and/or missile defense project later in the decade. The Governor's bond package utilizes several types of financing – GARVEE Bonds, general obligation (GO) bonds, certificates of participation (COPs) and revenue bonds – to leverage state and federal dollars. Following this summary overview, each of the proposals is explained in detail in a separate section.

The multi-year timing and statewide scope of these projects will not overtax the Alaska construction industry. For example, one of the main components – the Accelerated Transportation Initiative – amounts to only 2.5% of total anticipated statewide construction over the next 5 years. Projects are spread over several years among different types of contractors (e.g., paving companies, building contractors, smaller remodelers for deferred maintenance jobs, marine construction companies) so the package as a whole would maximize the use of in-state companies.

The school construction and major maintenance portion of the package would be the first use of the state's GO debt capacity since 1981. Debt service payments for all of these bond proposals are subject to annual appropriation by the legislature so there are no legal issues about dedication of funds. Of the total \$819 million, \$384 million requires state support. (The rest is supported by federal or other funds.) The additional general fund debt service would begin in FY2004 at \$30 million, ramping up to about \$39 million per year in state general funds by FY2005. Current general fund supported debt service is \$77 million for FY 02, which is low by historical standards (e.g., state-supported debt service was \$242 million in FY 90).

The overall package meets critical needs in both urban and rural areas of the state.

New Bills Introduced in the 2002 Legislative Session:

- **School Construction and Major Maintenance (HB 363, SB 259)** - \$212 million authorization to fund two years' worth of the highest ranked projects on the Department of Education and Early Development construction and major maintenance priority lists. The first year appropriation of \$101 million would fund the state share of construction and major maintenance projects and \$109 million would be appropriated the following year. Debt service of \$10.1 million would begin in FY2004, increasing to \$21 million in FY 2005. GO bonds would require a statewide vote in the 2002 general election. It is anticipated that future GO bond issues for school construction and maintenance would be offered to the voters in subsequent election years until the entire \$640 million backlog is completed.
- **Facility Deferred Maintenance, Replacement and Expansion (HB 364/365, SB 261/262)** - \$135.6 million using certificates of participation financing to fund over 550 high priority deferred maintenance projects statewide, and key facility replacement and expansion

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projects, including veterans' housing, the Nome Youth Correctional Center, and the Juneau DMVA Readiness Center/UAS joint facility. Projected debt service is \$13.2 million per year beginning in FY 04. No public vote would be required on COPs.

Bond Bills Already Introduced in the 2001 Legislative Session:

- **Harbors (HB 146, SB 118)** - \$38.9 million in projects. These revenue bonds would allow upgrades of 30 harbor projects in 12 municipalities and transfer of ownership from the state to the various local governments. Debt service would be paid with marine motor fuel tax receipts, which are currently classified as general funds but paid into a segregated GF account. Debt service payments of \$3.9 million per year would begin in FY2004. Amendments to existing bills will be offered to adjust for projects funded in last year's bond package. No public vote is required on revenue bonds.
- **Seafood and Food Safety Lab (CSHB 51)** - \$11.5 million project to replace an outmoded facility in Palmer. CSHB 51 has passed the House and is in the Senate committee process. General fund debt service will be just under \$1 million per year beginning in FY2004. No public vote would be required to authorize this COP.
- **Accelerated Transportation (HB 191)** Bonds also referred to as GARVEES – \$379 million in projects. These bonds would leverage future federal highway funds to build projects much sooner than going through the State Transportation Improvement Plan (STIP) and would result in long-term savings to the state from avoided inflation. Debt service on the bonds would require no additional general fund support. The state match requirement would be met through earnings on bond proceeds that will save \$62 million in state GF match requirements over the life of the bonds. As a COP this legislation would not require a public vote.