

Sponsor Statement

HB 267

Railroad Bonds for Natural Gas Transport

This legislation would be a significant step toward the construction of a natural gas pipeline to commercialize North Slope gas reserves.

[HB 267](#) authorizes the Alaska Railroad Corporation to issue bonds for the pipeline project, leveraging the ability of the corporation to issue tax-exempt bonds for industrial development. This financing plan can push pipeline construction that much closer to reality, resulting in jobs for Alaskans and revenue to the state while delivering natural gas to a waiting public and market.

The Alaska Railroad's ability to issue tax-exempt bonds to finance industrial development was approved in 1983 by the U.S. Congress with the transfer of the Alaska Railroad from federal to state ownership. Congress reaffirmed Alaska Railroad's authority to issue tax-exempt bonds in the Tax Reform Act in 1986.

Estimates prepared by Goldman Sachs and the Department of Revenue suggest the financing plan presented in this bill will increase the economic viability of the natural gas line construction project by saving the facility owners more than \$1 billion over the life of the project.

The bill allows Alaska Railroad to provide financing for the acquisition, construction, improvement, maintenance, equipping and operation of facilities for the transportation of natural gas resources within and outside the state. It specifically authorizes Alaska Railroad to negotiate issue up to \$17 billion in bonds for construction of a natural gas pipeline.

While Alaska Railroad would issue the bonds, neither Alaska Railroad nor the State would be liable for the debt. The bill requires that prior to issuing bonds, Alaska Railroad must determine that any contract or lease is sufficient to pay back the bonds as scheduled, maintain reserves for the payments, and pay all costs necessary to secure the bonds.

The railroad is a vital link in Alaska's economy. Many towns have sprouted up because of the role of Alaska Railroad, which supported construction of the Alaska Highway during World War II and the subsequent military buildup in our state. It also helped in building the Trans-Alaska Pipeline System; and along its more than 600 miles of track, it carries seven million tons of freight and a half-million passengers each year. Alaska Railroad also provides jobs for 700 Alaskans.