

ALASKA STATE LEGISLATURE



SENATOR JOE THOMAS

March 8, 2011

Commissioner Bryan Butcher
Department of Revenue
550 W 7th Ave, Suite 1820
Anchorage, AK 99501

Dear Commissioner Butcher,

I am writing to you in your position as a member of the board of the Knik Arm Bridge and Toll Authority as well as Commissioner of the Department of Revenue.

Before the Senate Finance Committee acts on SB 79 and SB 80, it is important that we understand the legislation's potential impact, if any, on the state's bond rating and ability to borrow for other projects.

It is my understanding that a decision by the Authority to issue bonds or enter into contracts or partnerships as authorized by the current statute, would not impact the state's credit rating or ability to take on other debt. However, if the Authority were not able to satisfy the financial obligations it makes, then the state's credit rating would be adversely affected.

Please confirm or correct my analysis of the potential impact of the existing law. Then, please explain how SB 79 and SB 80 would affect the state's financial situation. Specifically, does SB 80 increase the risk to Alaska's credit rating if toll revenue is inadequate and the state chooses not to appropriate additional money? How is the state's responsibility for ensuring the availability payment affected by the language on page 2, line 17 of SB 80 which states, "The monetary obligations incurred by the authority under the partnerships or contracts are obligations of the state, and satisfaction of those obligations from funds other than authority funds is subject to appropriation?" Would the result of the state's failure to meet its "moral obligation" to provide the annual availability payment, be an increase in the cost of borrowing money for other state activities?

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Finally, as one of five voting members of the KABATA board, are you confident of the revenue projections and financial analysis in the Knik Arm Crossing Pro Forma Financial Plan and other documents the Authority submitted with its March 1 TIFIA letter of interest, and do you recommend that the legislature pass SB 79 and SB 80 as written?

Thank you for your assistance, Commissioner.

Regards,

A handwritten signature in black ink that reads "Joe J. Thomas". The signature is written in a cursive style with a large, stylized "J" and "T".

Senator Joe Thomas

Cc: Knik Arm Bridge and Toll Authority Chairman Michael Foster and Members,
Knik Arm Bridge and Toll Authority Executive Director Andrew Niemiec,
Senate Finance Committee