No TIFIA loan for the Knik Arm Bridge: Bridge can't move forward
With today's news of the ballooning deficit, Goldsmith says move money from the bridge

Contact:
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ANCHORAGE, ALASKA (March 21, 2016) - After more than 10 years and approximately $90 million in studies, Knik Arm Bridge and Toll Authority staff employed by the Alaska Department of Transportation failed to secure a critical part of the financial plan for the bridge, a nearly $393 million federal Transportation Infrastructure Finance and Innovation Act loan.

On February 9, the Federal Highway Administration notified the State of Alaska that it was halting its review of the state's TIFIA loan application to fund construction of the Knik Arm Bridge because of the "aggressive assumptions in your traffic and revenue study" predicting toll revenues. The FHWA rejection letter, attached, was not released to the public until today.

The state cannot issue bonds to fund the bridge without that TIFIA loan under HB 23, passed in 2014.

"Even the Knik Arm Bridge's strongest supporters in the legislature know the state should not invest in this project without a significant influx of federal cash" said Jamie Kenworthy, an independent financial analyst who has followed the project closely for many years. "This latest rejection proves once and for all that Alaska doesn't have a viable financial plan for the bridge. The legislature and Governor Walker need to remove all Knik Arm Bridge funds from the Fiscal Year 2017 budget now under discussion."

Scott Goldsmith, a respected economist recently retired from UAA's Institute of Social and Economic Research, explained the benefits of using already-appropriated bridge money for more pressing projects. He said, "The $160 million in federal and state money in the Knik Arm Bridge budget could pay for other transportation projects that meet current needs. These funds could help keep the construction industry alive and the economy afloat as the state deficit continues to widen."

In the last three years alone, over $2.2 million was spent on two bridge consultants, with most of the money leaving the state (Cardno with Agnew:Beck as a subcontractor received $137,922.84 and CDM Smith received $2,104,713.20 million).

Financial analyst Kenworthy took particular issue with Knik Arm Bridge consultant CDM Smith's prediction that Point MacKenzie would be home to 37,000 people in 2040 and be one of the state's largest cities, a scenario he described as "improbable."

"Instead of buying more paper studies with more nonsense numbers, those funds could buy asphalt to improve road capacity and safety," said Kenworthy. See www.knikbridgefacts.org for more information on the project.

U.S. Department of Transportation
Office of the Secretary of Transportation

Assistant Secretary
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Kevin Hemenway
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Subject: Knik Arm Crossing Project

Dear Mr. Hemenway,

Thank you for the additional information you submitted on November 4, 2015 to support the Transportation Infrastructure Finance and Innovation Act (TIFIA) letter of interest (LOI) for the Knik Arm Crossing Project, which the U.S. Department of Transportation has carefully reviewed. As mentioned in letters on November 19, 2014 and August 12, 2015, the structure of your plan of finance wherein TIFIA is the only lender repaid with tolls and without a State backstop presents significant risk to DOT. We proceeded to review your initial financing assumptions to ascertain whether, despite this risk, the loan could meet DOT's underwriting standards. However, as discussed during our most recent conversation on November 19, 2015, we would need to significantly reduce some aggressive assumptions in your traffic and revenue study. This would include the initial traffic growth assumptions given the undeveloped nature of the Point McKenzie, area as well as the assumptions about revenue days and transponder penetration rates given industry standards. As currently structured, your plan of finance would not have sufficient coverage to withstand stress testing and meet DOT's requirements. Therefore, DOT is suspending review of your current LOI and plan of finance.

DOT encourages you to revise your plan of finance to diversify risk, deleverage the debt, and create a more creditworthy structure for the whole transaction and specifically the TIFIA loan. As you consider alternative ways to structure the transaction, please contact Jorianne Jernberg at 202-366-0459 if you'd like to discuss the feasibility of various options.

Thank you for your interest in the TIFIA program.

Sincerely,

Shoshana M. Lew
Chief Financial Officer and Assistant Secretary
for Budget and Programs