

Alaska State Legislature

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Senator Lyda Green District N

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Sen. Lyda Green asks: “Are GARVEE Bonds the Answer?”

The State of Alaska in the past 10 years has spent more than a \$1 billion on roads and road maintenance. Road improvements in my district, the Matanuska-Susitna Borough, continue to be a primary discussion each and every year in the planning and budget process. In the Mat-Su Borough alone over \$33.5 million in state funds (\$410.4 million when federal funds are factored in) has been invested in new construction and maintenance over the same 10-year period. Additional improvements will continue to be made.

At the Wasilla Chamber of Commerce meeting on Oct. 30, Commissioner Joseph Perkins of the Alaska Department of Transportation was guest speaker. Perkins has been a hard-working, knowledgeable commissioner who has been supportive of transportation and road projects in the Mat-Su Borough and across the State. As part of his presentation, Perkins spoke about the administration’s support of a Grant Anticipation Revenue Vehicle or “GARVEE” Bond package. GARVEE is any bond or note repayable, either exclusively or primarily, with future Federal-aid Highway Funds.

Essentially, this means the issuer (the state) sells bonds (debt) to get up-front capital. For Alaska, the planned incurred debt is \$442 million in the plan proposed by Gov. Knowles and \$395 million in the plan proposed by the House of Representatives. The assumption is that the debt will be repaid by the State with funds yet to be received from future Federal-aid Highway Funds.

Some would say that this is a great idea--get lots of money and road projects now—pay later. However, there are some questions that need to be asked about the GARVEE package.

1. Our State Constitution requires, in Article IX, section 8, that the people must vote in order to incur state debt. Is a vote of the people required in the administration’s proposal?
2. Under the current proposal (without a vote of the people), is it acceptable or even legal for a financial institution to own the GARVEE-improved highways and lease them back to the state until payment is made in full (estimated to be 15 years)?

(MORE)

3. Although all involved hope the federal funding level to the State of Alaska will remain at its present level or increase, what will happen if the anticipated revenue decreases and the State does not receive an amount adequate to cover its pledge?
4. Over the past several years, approved road construction projects that are adequately funded have, for a variety of reasons, never “hit the streets.” Money has been left unspent and projects rolled over to the next year. If we cannot currently meet the existing construction schedule, how will we be able to complete all the projects that are being proposed in the proposed time frame?

In his brief presentation of the GARVEE bond proposal, Perkins did not address these questions or concerns, yet it is important that the people of Alaska understand the potential drawbacks surrounding this proposal. Indeed, it is an appealing package; however, as I have illustrated, there are serious issues that must be considered and grappled with by the legislature and by the public prior to its passage. Currently, legislation is up for consideration in the Senate Transportation Committee. Should it pass from that committee, it is slated to be sent to the Senate Finance Committee then on to the full Senate. I encourage all of you to consider whether incurring this proposed state debt is appropriate without a public vote or even at all.

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