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Legislature considers restructured Knik Arm bridge plan, minus 'the middleman'

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JUNEAU -- Gov. Sean Parnell proposed his new plan to build the Knik Arm Bridge with fully public financing last December, but it has taken more than halfway through the legislative session for the new cost plan to be taken up by lawmakers.

That plan appears to significantly reduce the risk to the state, but skeptics remain.

The nearly billion-dollar bridge project is being developed by the independent Knik Arm Bridge and Toll Authority, and until recently its status outside the regular highway construction process and the public-private partnership that was going to build it had been among its primary selling points.

But KABATA as an agency lost credibility last year when a state

audit raised questions about traffic projections used to justify its toll-funded financing plan.

The new plan proposed by Parnell is winning praise from legislators who say it can make the crossing finally happen.

"It's a much improved project," said Sen. Anna Fairclough, and the new plan solves the traffic projection issue.

"It looks like it can pencil out to the benefit of the people of Alaska," she said.

Now, only a third of the project has to be paid by tolls, Fairclough said.

With the federal government financing most of the project through subsidized loans and use of federal highway construction funds, much less toll revenue is now needed to make the project work, she said.

"It requires a much lower level of volume across the bridge," she said.

And eliminating the role of the developer, who was to have helped finance the project, will lower the overall costs significantly, Fairclough said.

"We've eliminated the middleman" by having the state do the project itself, she said.

Among the skeptics' concerns is what the impact of using federal highway funds in the Knik bridge would be on other highway projects around the state, and and what risk paying off the project's bonds would present to the state.

A key part of financing the project, which KABATA estimates at

\$894 million, is a federal Transportation Infrastructure Finance and Innovation Act loan of \$341 million, which would cost \$450 million to pay off over 20 or more years.

Sen. Johnny Ellis, D-Anchorage, was among those questioning whether the changes now put KABATA in competition with other highway projects elsewhere.

"I think KABATA is a threat to transportation projects all over the state," Ellis said.

But Department of Transportation and Public Facilities planner Jeff Ottesen said that while moving forward with Knik Arm might mean minor delays for a handful of projects, there would be little impact on the public.

Projects chosen for delay would be those of lesser importance, such as highway improvements meant to be ready for a natural gas pipeline across Canada that looks unlikely now.

One of those, along the Haines Highway, was to have prepared that route for shipping of heavy pipeline loads.

"We can slow that down a year or two," he said. "We won't be canceling these projects; we will simply be moving them out somewhat."

But Ottesen, testifying before the Senate Finance Committee Wednesday, found skepticism among some senators.

The TIFIA bonds, paid back by tolls, would pay for one-third of the Knik bridge. Another third would come from bonds issued by and paid off by the state, and the final third would come the federal highway funds.

The possibility of actually getting those TIFIA funds is also in question, legislators said.

Sen. Donny Olson, D-Golovin, said many more TIFIA loans are applied for than are received, making it unlikely Alaska would get any.

There is a "less than one chance out of five that this project is going to realize any TIFIA funding," he said.

But KABATA is counting on getting those funds, said Judy Dougherty, the authority's acting executive director.

"We feel very comfortable that we will secure these TIFIA funds," she said.

The state's financing plan wouldn't have included those loans if they weren't realistic, she said.

"I don't think the Department of Revenue would bring forward a financing plan that included TIFIA unless there was a real assurity that we were going to get those funds," she said.

But Ellis said he doubted they'd materialize and called the federal loans "very tenuous."

"The financing plan does not look realistic to me at all," he said.

Even if the bridge is built and get its expected traffic volumes, there will be additional costs to improve related transportation infrastructure that isn't included in cost estimates.

Rep. Les Gara, D-Anchorage, said he thinks costs in and to Anchorage and the Matanuska-Susitna Borough could reach a billion dollars.

Pressed by senators about those costs, Dougherty said they were outside KABATA's scope.

"I don't have that information," she said.

Sen. Kevin Meyer, R-Anchorage, said that if the Knik crossing doesn't happen, the Glenn Highway will need additional lanes. Ottesen said the latest cost estimates for that are \$600 million.

It will be a "heavy lift" to persuade legislators that the Knik crossing is needed, said Sen. Lesil McGuire, R-Anchorage.

"I hope it happens," she added. "I think its a great economic opportunity and safety corridor to develop more land for affordable housing in my community of Anchorage and redundancy for Glenn Highway for emergencies and natural disasters."

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