

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION COMMITTEE

March 22, 2001
1:37 p.m.

MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Robin Taylor
Senator Kim Elton

MEMBERS ABSENT

Senator Jerry Ward, Vice Chair
Senator Gary Wilken

COMMITTEE CALENDAR

SENATE BILL NO. 123

"An Act relating to legislative approval for the design and construction of facilities of the Alaska Railroad Corporation."

MOVED CSSB 123(TRA) OUT OF COMMITTEE

SENATE BILL NO. 111

"An Act relating to financing facilities for municipal ports and harbors; and providing for an effective date."

MOVED CSSB 111(TRA) OUT OF COMMITTEE

SENATE BILL NO. 44

"An Act establishing an Alaska Toll Bridge and Causeway Authority; and providing for an effective date."

SCHEDULED BUT NOT HEARD

SENATE BILL NO. 45

"An Act making an appropriation for the design of the Knik Arm crossing; and providing for an effective date."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

SB 44 - No previous Senate committee action.

SB 45 - No previous Senate committee action.

SB 111 - No previous Senate committee action.

SB 123 - No previous Senate committee action.

WITNESS REGISTER

SENATE TRA COMMITTEE

-1-

March 22, 2001

Senator Drue Pearce
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of SB 123.

Representative Andrew Halcro
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Supports SB 123.

Representative Norm Rokeberg
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Supports SB 123.

Kristy Tibbles
Aide to Senator Pearce
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Provided information about SB 123.

Johnne Binkley
Alaska Railroad Corporation
PO Box 107500
Anchorage, AK 99510-7500
POSITION STATEMENT: Supports the intent of SB 123 but prefers that a different procedure be used.

Wendy Lindskoog
Alaska Railroad Corporation
PO Box 107500
Anchorage, AK 99510-7500
POSITION STATEMENT: Answered questions about ARRC's public process.

Jerry McCutcheon
Box 101538
Anchorage, AK 99510
POSITION STATEMENT: Commented about ARRC's operations.

Paul Laberty
224 E. Manor Ave.
Anchorage, AK 99501
POSITION STATEMENT: Supports CSSB 123(TRA).

Linda Anderson
River's Edge Resort
Fairbanks, AK

POSITION STATEMENT: Supports CSSB 123(TRA).

Kurt Parkan
Deputy Commissioner
Department of Transportation &
Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898

POSITION STATEMENT: Answered questions about SB 111 and SB 118.

Charlie Branch
PO Box 1692
Cordova, AK

POSITION STATEMENT: Supports CSSB 111(TRA).

Ray Majeski
617 Katlian St.
Sitka, AK 99835

POSITION STATEMENT: Supports CSSB 111(TRA).

Daniel Hickman
Petersburg Harbor Board
Petersburg, AK 99833

POSITION STATEMENT: Supports CSSB 111(TRA).

Bob Prunella
City Manager
PO Box 531
Wrangell, AK 99929

POSITION STATEMENT: Supports CSSB 111(TRA).

Sandra Moller
President and CEO
Aleut Enterprise Corporation
Adak, AK

POSITION STATEMENT: Supports Adak's inclusion in SB 111.

Chris Gates
Aleut Enterprise Corporation
Adak, AK

POSITION STATEMENT: Supports Adak's inclusion in SB 111.

Matt Rowley
City of Whittier
Whittier, AK

POSITION STATEMENT: Supports CSSB 111(TRA).

John Bitney

Alaska Housing Finance Corporation

POSITION STATEMENT: Explained bond provisions of SB 111.

Mark Hickey

Aleut Enterprise Corporation

POSITION STATEMENT: Explained the status of the harbor in Adak.

ACTION NARRATIVE

TAPE 01-10, SIDE A

Number 001

CHAIRMAN JOHN COWDERY called the Senate Transportation Committee meeting to order at 1:37 p.m. Present were Senators Taylor, Elton and Cowdery. Senator Pearce was also present. Chairman Cowdery announced that the order of bills would be SB 123, SB 111, SB 44 and SB 45, and that it is not his intention to move SB 44 or SB 45 at this time.

#SB 123

SB 123-LEGISLATIVE APPROVAL:RAILROAD FACILITIES

SENATOR DRUE PEARCE, sponsor of SB 123, noted that she represents District F in Anchorage, which encompasses the Anchorage international airport and the international access road to the airport. She informed committee members that both Representative Halcro and Representative Rokeberg represent corresponding house districts and were present to testify.

CHAIRMAN COWDERY asked for a motion to adopt the proposed committee substitute to SB 123 (Version C).

SENATOR TAYLOR so moved.

CHAIRMAN COWDERY announced that with no objection, CSSB 123(TRA) was before the committee.

SENATOR PEARCE explained that SB 123, as originally introduced, requires the Alaska Railroad Corporation (ARRC) to obtain legislative approval for design and construction of facilities that have an estimated cost greater than \$5 million. She introduced this legislation in response to a specific facility under construction at the Ted Stevens International Airport - the ARRC's rail station project. Financing for that project was received from the federal government back in 1998. The first time the legislature learned of the project in any form was during the 1999

session as part of a Finance Committee overview. The intent of SB 123 is not to stop that project; the money has been appropriated and the project is underway. Her goal is to see ARRC use a more public process for future projects that involves Alaskans from the beginning.

SENATOR PEARCE said the rail station project has caused a lot of consternation in her district for a number of reasons: the correctness of the feasibility study and market analysis; and the fact that the market analysis was done after the money for the project was obtained - a cart before the horse.

SENATOR PEARCE stated that in getting the rail to the airport, ARRC will need tens of millions of dollars to either elevate the railroad through a neighborhood, perhaps requiring one of the neighborhood's main feeder streets (Northwood) to be closed off. Everyone of the different projects has an impact on the neighborhoods but the residents are particularly concerned about noise and traffic impacts. SB 123 includes the legislature in the approval process for ARRC projects. She believes that if a public process was required, the legislature would be willing to see the railroad expand. The legislature wants ARRC to continue to be financially strong and the state needs the railroad. However, the planning process on the public side must be handled in a better manner.

SENATOR PEARCE said the committee substitute has an additional section (Section 7) on page 2. Section 7 says the ARRC cannot:

begin the design or construction of a new railroad line realignment and railroad corridor project through an existing community having an estimated total design and construction cost greater than \$10,000,000.

She noted that section speaks to a specific idea that is on the table in the Fairbanks area to realign the railroad. Once again, while federal dollars would be used, some of our highway dollars are likely to be necessary to make that project feasible. She didn't know whether a market analysis or feasibility study has been done for that project.

Number 447

REPRESENTATIVE ANDREW HALCRO, House District 12, thanked Senator Pearce for introducing SB 123. He said SB 123 is more about "it can happen in your community." SB 123 is not a commentary on the operations of ARRC, it is simply a commentary on how legislators need to make sure they have some accountability to their constituents. He has found it very frustrating to talk to

neighbors about this project. They look at him as though he should have had the leverage to do something or have a greater impact. He has to shake his head and tell them, "Well, when they asked for public comment, I did write a letter. That basically, is the limit to our influence over the process."

REPRESENTATIVE HALCRO stated that about a month after he was elected in November of 1998, he had lunch with the chairman of ARRC (Bill Sheffield). They talked for an hour about this project. He tried to convince the chairman that the project was a \$20 million waste of taxpayers' money. The chairman assured him that an economic feasibility study would be done and all options would be kept open. About three or four months later, he read a Wall Street Journal article about how rail links to airports have been a bust in some major cities. For example, in Philadelphia, with a population 15 times that of Anchorage, the airport rail service is barely used because passengers have to wait 30 minutes for a train. He sent a copy of the article to the chairman and the airport manager, Mr. Plumb. A few months later the economic feasibility study was done. The study raised more questions than answers. It pointed out that the railroad has a lack of infrastructure and other salient points that concluded that this project had a slim chance of succeeding. He noted that several years ago the People Mover bus service to the airport was reinstated and greeted with fanfare. Today, that route has the lowest rider-ship in the People Mover system, which proves that mass transit is not conducive to the 8,000 people that work at the airport. Many of those employees work at businesses several miles from the terminal, such as FedEx, so a train to the terminal will not be convenient for them. He thought the study would "put the brakes" on the project, but it did not.

REPRESENTATIVE HALCRO said his primary concern is that discussions have just begun about the additional \$15 to \$20 million that will be needed to realign the approach tracks down International Airport Road. Suddenly, some of these neighborhoods are faced with the possibility that their access to some major thoroughfares will be cut off because of the realignment. He expressed concern that the public process has been less than adequate for this project. He feels the legislature needs to send the message that although it does not want to get involved in the day-to-day operations of the railroad, it wants to be accountable to constituents whose quality of life is being impacted by these projects.

Number 745

CHAIRMAN COWDERY said he wasn't sure whether Representative Halcro was chair or vice-chair of the House Transportation Committee when it held hearings on this project, but the same issues were raised at that time and the rider-ship question was asked but never adequately answered. He maintained that he has been approached by

some of the private transport companies and they claim this will put them out of business. He noted, "Just because the money is free, so to speak, it's a tough decision. I don't want to be anti-receiving money but I think it could be better spent in maybe some of the other areas as needed."

REPRESENTATIVE HALCRO said ARRC updated the House Transportation Committee last year on its spill remediation process at Gold Creek. ARRC also informed the committee of the status of the airport rail station. Committee members asked many questions about the ridership but were given no answers. He believes there really are no answers. The project is being built because ARRC has the money. That goes against what he hopes would be a better public policy and better public hearing process.

SENATOR TAYLOR indicated that Senator Ward has suggested to him that the profits of the railroad should be used to offset the losses of the ferry.

Number 857

SENATOR PEARCE pointed out the market analysis showed that because Anchorage is on the far northern and western coast of the United States, most passengers leave on the "red eye" or early morning flights so that they can connect with other flights during the day. That means the passenger trains to the airport will have to run at night through the neighborhoods. Airport noise is already a big issue in Anchorage so adding trains to the mix is cause for concern.

REPRESENTATIVE HALCRO said the market analysis projects that by the year 2005, 80,000 local residents will utilize this service. That equates to over 7,200 people per month. He asked ARRC where those people will come from and received no answer. He repeated that he questions the projections.

SENATOR TAYLOR asked if SB 123 just "closes the barn door" and takes care of future concerns.

SENATOR PEARCE said the federal dollar spigot is open, thanks to the Congressman and the Senator. She is concerned that money should not be granted before a market analysis is done. It should be the other way around. Also, ARRC projects should be integrated with what is being done at the legislative level with federal highway and airport funds. She said Senator Taylor's assessment is correct and that the additional monies for the track realignment have not actually been procured as of yet, but there is every expectation the delegation will help with that. ARRC is an asset that the state should protect but the legislature should be involved in long term planning for the railroad.

Number 1071

REPRESENTATIVE NORMAN ROKEBERG, representing District 11 in Anchorage, stated the proposed track realignment is in his district. He is very concerned and appreciates Senator Pearce's and Representative Halcro's comments. SB 123 speaks to the failure of the process; it is a case of a lack of communication and coordination between the various transportation sectors. He stated, "And I'd say to Senator Taylor, if you want the railroad to produce a profit, they can't be building money-losing projects like this. The estimates are up to \$18 to \$20 million on the realignment, depending on which route or style of construction would be selected"

REPRESENTATIVE ROKEBERG said a real breakdown in involving the public in this process happened during the life of this entire project. As stated in prior testimony, the cart came before the horse. The effect on the community is only being recognized now as the Department of Transportation and Public Facilities (DOTPF) and ARRC are looking at the down track realignment to be able to properly service the airport depot. This legislature and the affected community had no involvement in the process. The first public meeting, to his knowledge, was held on September 13, 2000. That meeting was about the route realignment. He notified 1,500 residents in his area of the meeting; almost 100 attended the meeting. Most said they wouldn't have known about the meeting without his mailing. People were aware of the depot but didn't realize that by putting that project in, there was an assumption made that the track would have to be realigned. He is very pleased to see the committee substitute to SB 123 because he was going to suggest to the sponsor that such a provision be added to the bill.

REPRESENTATIVE ROKEBERG said the track probably needs to stay exactly where it is because about 700 families right above it will be impacted. The location is west of the intersection of Minnesota and International Airport Road going to Northwood, which goes north and services the ingress and egress to the South Spenard area by the Spenard recreation center. The various suggested lanes will cut that ingress and egress off and funnel the traffic down Aspen out to Spenard Road, basically turning a neighborhood street into a major arterial. One of the other alignment routes would cut off the Northwood ingress and egress to all of the commercial land and the city snow dump and maintenance area as well as the ball fields. That area consists of about 80 acres of commercial, public use and park lands that would be cut off. All of the suggested alternatives have significant problems associated with them. The realignment project is further complicated by an interchange at Jewel Lake - International Airport Road, where the rail will have to come in.

REPRESENTATIVE ROKEBERG stated full support for CSSB 123(TRA). He

felt it is unfortunate that if there was any way the people who live in that area could have stopped the development of the railroad depot at the airport, they would have. He added the Anchorage Convention and Visitors' Bureau spends probably \$15 or \$20 million to entice tourists to stay a day longer in the Anchorage area. This proposal may whisk those cruise ship passengers from Seward directly to the airport, bypassing Anchorage.

SENATOR ELTON asked what kind of a local process the ARRC goes through when making routing decisions through urban communities.

REPRESENTATIVE ROKEBERG replied the state is subject to Title 21 of the Anchorage Building Code, but he acknowledged that is a good question and should be directed to ARRC.

Number 1406

SENATOR ELTON said the reason he asks is that if there are established local processes that govern decisions that are inimical to the interests of some of the neighborhoods in Anchorage, and then another political layer is established where legislators of all stripes are making those kinds of investment decisions, that will put a heavy burden on ARRC.

SENATOR PEARCE indicated that Mr. Binkley could answer that but she pointed out that in Anchorage, a land exchange, like the one done last year with the ARRC, must go through the legislative process. However, she doesn't believe the terminal facility had to go through a local process. If someone wants to rezone a lot in her area, all of the house sites within a certain area must be notified of the public hearing. That process wasn't followed for the depot. The same is true of airport projects; because they are on state land, local zoning things do not have to happen. She noted when the railroad was transferred to the state, the legislature made a conscious decision to try to make the railroad as autonomous as possible. Over the years, various communities have been angry at the railroad at different times. Much of the legislation that has been put forward about the railroad, because of frustrations of various constituencies, has not met with success. Usually someone was out there who was willing to protect the railroad - it used to be Senator [Tim] Kelly. She thinks when this sort of project happens with no public process and the money is procured before the project is designed, a better process is necessary. Although ARRC now says it will change the way it does things, she has heard that many times.

SENATOR ELTON asked how "facility" is defined. He assumes "facility" does not cover planting a fiber optic line along the railroad right-of-way.

KRISTY TIBBLES, legislative assistant to Senator Pearce, said she

will check with the Division of Legal Services but she believes the drafter told her it was the common dictionary definition.

SENATOR PEARCE said it is not her intent for right-of-ways for other services, like the fiber optic system, to be affected by this bill. She is referring to bricks and mortar projects. She noted it also wasn't her original intent if the railroad, in upgrading its rail, straightens out a curve a bit to be safer, to get into that area. She believes that arguably there are areas in between Anchorage and Fairbanks that need realignment, but when ARRC starts making changes inside areas like the Fairbanks North Star Borough, there needs to be a process that integrates all of these different things.

REPRESENTATIVE ROKEBERG said, in response to Senator Elton's question, that Anchorage has a problem in the way it deals with the federal government. The realignment project is federally financed so it may or may not go through the AMATS process. That's why he supports this bill very strongly. It's one of those other methods with which we can reconnect, particularly even the Anchorage delegation, with transportation planning in the Anchorage area.

Number 1695

CHAIRMAN COWDERY asked Mr. Johnne Binkley to testify.

MR. JOHNNIE BINKLEY, a former Alaska Senator, current riverboat captain, and ARRC board member, gave the following testimony on SB 123.

He had a chance to talk with Senator Pearce prior to the introduction of SB 123. He appreciates why Senator Pearce introduced the bill; ARRC needs a better process when working with the legislature on some of these projects that do impact constituents so that they have input into that process.

When the State of Alaska purchased the railroad and it was transferred to the state, the railroad had tremendous deficiencies that were noted by the federal government. The federal government promised to take care of those deficiencies, but the federal government was never willing to come forward with those dollars over the years until Senator Stevens became Chairman of the Appropriations Committee. Senator Stevens was very involved in the railroad transfer when it took place in the mid 1980s and he distinctly recalled the commitments made by the federal government to the State of Alaska. Senator Stevens has felt compelled over the years to live up to that commitment and he has been very effective in securing federal dollars apportioned for rail lines throughout the country for ARRC. ARRC has felt very blessed to receive a portion of those federal dollars.

Initially, when Senator Stevens was successful in securing funds, the funds were in smaller amounts. The first amount was \$10 million for the purchase of new railroad ties. The last major tie renewal program was in the early 1950s. The ties were wearing out and it was noted in the transfer. As ARRC began to replace the ties, it also replaced some of the rail and improved the ballast system under the track.

The airport rail project is a major project for ARRC that is a bit outside of the scope ARRC is used to. That project involves a building. ARRC has maintained its buildings but is not used to building new buildings, especially those that impact communities. As a result of this project, ARRC has learned a lot. Senator Stevens was able to secure the full amount of the airport rail appropriation (\$28 million). That appropriation did not require a match from ARRC. Those funds arrived sooner than anticipated. When ARRC decided to pursue this project, it was because of an opportunity to preserve a rail corridor into the international airport for future use when the state was looking at a major expansion of the Anchorage airport.

MR. BINKLEY repeated that ARRC has learned a lot from the airport rail project. It made a lot of mistakes in the way it approached this project. Hopefully ARRC has learned from those. ARRC has other projects in the works: new depots in Denali, a new depot in Fairbanks, a cruise ship dock facility in Seward, upgrading the existing depot in Anchorage, and a new shop for passenger cars. ARRC is learning how to engage the community to make sure everyone is involved in these projects. In addition, there is a proposed realignment project in Fairbanks to eliminate 48 at-grade crossings where roads and rails intersect. ARRC has learned in that process that before it just barges into a project, it has to explain what it is doing to the community.

MR. BINKLEY said he believes ARRC has gained insight and, that the purpose of SB 123, to formalize ARRC's process, is a good one. However, he would like to see something short of legislation, that requires an approval process before ARRC begins the design of any project. He cautioned that it takes a long time to do those things, including reconnaissance engineering and design, before ARRC knows whether a project is even feasible. Requiring legislative approval before ARRC starts down that road will be difficult. He agrees that a more formal process that will allow for legislative input is necessary. He does not have a proposal at this time but suggested using a Legislative Budget and Audit process or a process similar to the Statewide Transportation Improvement Plan used by DOTPF.

MR. BINKLEY indicated that ARRC is concerned about maintaining its autonomy, which is the key to its profitability. To do that, ARRC has to be careful that the decisions it makes are not made for

political reasons. He hopes to have an opportunity to work with the sponsor and Chairman on crafting a mechanism that provides for legislative input short of introducing a bill for a specific project.

Number 2078

CHAIRMAN COWDERY acknowledged that he has heard complaints about how the Fairbanks realignment project will impact businesses in the area. He asked if ARRC has followed through on public hearings in Fairbanks for that project.

MR. BINKLEY said ARRC has just begun that process. It has just completed the conceptual engineering to determine the costs and whether the project is technically feasible. ARRC is now inviting the affected neighborhoods to comment on the proposal. If ARRC continues to proceed with that project, the process will be long and drawn out and an environmental impact study will most likely be done.

CHAIRMAN COWDERY referred to Mr. Binkley's comment about the federal government's promise of deficiency upgrades when the state purchased the railroad, and asked if ARRC considers the airport rail extension to be a deficiency upgrade.

MR. BINKLEY said it does not.

CHAIRMAN COWDERY noted that he owns property in different areas and whenever a zoning change is proposed, he receives a card in the mail. He asked if the people impacted by the airport rail project ever received such a notice from ARRC.

MR. BINKLEY asked that Wendy Lindskoog answer that question.

MS. WENDY LINDSKOOG, Director of External Affairs for ARRC, agreed with Mr. Binkley that ARRC did not do a good job regarding public involvement in the airport rail project. She came on board with ARRC in October of 1999. At that point, ARRC stepped up the project, tried to get out to community councils, and held open houses, some of which included mailings. Unfortunately, those activities were not held at the inception of the project. She can support what ARRC has done since October of 1999 but prior to that she cannot say that ARRC did an adequate job as a state-owned entity in getting the word out to the public.

CHAIRMAN COWDERY asked if the cost of the right-of-way acquisition will be an added expense.

MR. BINKLEY asked if Chairman Cowdery was referring to the airport rail project.

CHAIRMAN COWDERY said he was referring to the realignment in Senator Pearce's district.

MR. BINKLEY said he believes there are several options for that realignment. He noted the realignment is just a proposal and that an existing rail line goes into the airport. Initially, that existing rail line would be used to serve the airport. If the rail station has a huge commuter demand that interrupts the traffic flows at the at-grade crossings, the grade will need to be separated to minimize any impact to vehicular traffic. When this station was opened initially, its anticipated use was for cruise ship passengers coming from Seward. ARRC is looking at two trains per day for those passengers; one in and one out. Its use will be very limited and he anticipates using the existing right-of-way in and out of the airport.

CHAIRMAN COWDERY said one concern that he has is that once ARRC is tied into a project, it might incur added costs, yet the legislature is not aware of the full picture. He doesn't believe the legislature intends to micromanage ARRC. He noted AS 36.03.0800 says that any lease cost of \$500,000 or more, or a \$2.5 million cost during the life of the lease, must be reported to the legislature. He pointed out it relates to SB 123 in that the legislature, in his opinion, only wants to know what is going on.

SENATOR PEARCE stated that she does not know what solution lies in the middle, regarding legislative approval or at least authorization for utilization of the monies, which is what the legislature does for federal highway funding and airport funding. She appreciates what Mr. Binkley is asking the legislature to do but she is not sure what that would look like. She noted that when she hears that the airport rail project will cost \$28 million and will have one train in and one train out per day during the summer only, she questions whether that is the best use of \$28 million to ARRC.

TAPE 01-10, SIDE B

SENATOR PEARCE said she has no problem with keeping the railroad corridor to the airport, but that project seems like a waste of \$28 million, especially when the state has so many needs. She feels the legislature and ARRC need to discuss these projects before ARRC makes requests from Senator Stevens.

SENATOR ELTON asked if the solution might be to make SB 123 apply only when the facility is going to be located in an organized community so that ARRC doesn't have to get legislative approval for a facility outside of an organized community.

MR. BINKLEY responded that ARRC doesn't build too many facilities.

SENATOR ELTON asked if Denali park is unorganized.

SENATOR PEARCE said it is a borough. She said she can't think of a Senate district that doesn't already have a depot.

SENATOR ELTON asked about realignments.

MR. BINKLEY said the major alignments that ARRC is looking at are at Wasilla, Nenana, Fairbanks, and the existing one between Wasilla and Anchorage.

CHAIRMAN COWDERY asked if the Wasilla/Anchorage realignment has been approved by the Legislature.

MR. BINKLEY said the land exchanges have.

SENATOR PEARCE noted that Section 7 of CSSB 123(TRA) refers to a project in an existing community. That was specifically put in the bill to try to get away from alignments through Healy Canyon.

Number 2248

SENATOR TAYLOR said it amazes him that all of the major transportation infrastructure in this state, with the exception of the ferries, was built in World War II. He finds it incredible that ARRC is using this type of funding to upgrade for the tourist community. It is building new terminals at a tourist park that Alaskans have to get on a waiting list to get into. It is upgrading facilities at the airport for tourists and facilities for tourists going in and out of Fairbanks. He asked why ARRC is not extending the railroad south. He commented that every highway in this state was built in World War II and the only thing that's been done, especially during this Administration, is make them a little wider with better paving and put bike paths on both sides of them. He guarantees that no one in his district would complain about the noise from a railroad. He said he wonders how many miles of rail the \$28 million could extend south.

MR. BINKLEY said the \$28 million for the airport rail project came through the Federal Railway Administration. It was part of an expenditure specifically for depots around the country. ARRC did not have the opportunity to use it in a different manner. He pointed out that the cost of constructing new rail is about \$2 million per mile, if there are no major grade problems or bridges. ARRC would love to extend the rail line. It is working closely with Representative James to extend the line East to the Canadian border. He is part of a Northwest transportation group that is looking at extending the rail to the Northwest Arctic. Under the original act by Congress, Alaska was guaranteed 1,000 miles of rail, which has never come about. ARRC stands ready to talk to Alaska's congressional delegation on a regular basis about dollars

to expand the rail. That would be ARRC's preference as well.

Number 2092

SENATOR TAYLOR said, regarding the question of ARRC's future development strategy and politicizing the process, maybe it is time to take some of the decision-making out of the Railbelt, which dominates the entire question of expansion. He expressed support for SB 123 and said he wouldn't want to see a procedure like the STIP used as that is just a rubber stamp process.

MR. BINKLEY clarified that any projects that ARRC does in Anchorage go through the AMATS process.

Number 2004

CHAIRMAN COWDERY took public testimony.

MR. JERRY McCUTCHEON, testifying from Anchorage said, with respect to Mr. Binkley, former Governor Sheffield did not get the money for ARRC. He attended a recent ARRC open house at which the airport rail project was shown. He asked the engineer about taking the parking areas and was told ARRC was paying for the parking area. He believes the airport rail project makes no sense. That terminal cannot be supported by tour ship passengers only. He suggested scrapping the project right now. He pointed out the problem with the derailments was caused by the fact that employees were paid to not maintain the track. ARRC employees are currently being paid to figure out design projects, no matter absurd, on which ARRC can spend its free money. SB 123 does not address that problem. He told legislators they need to address what is going on at the spill sight. ARRC is still trying to pump, with suction pumps, fuel up 35 feet.

Number 1863

PAUL LABERTY, a resident of the [indisc. The government ?] hill neighborhood, which is immediately adjacent to the rail yard in the downtown Anchorage area, said he supports CSSB 123(TRA). Regarding Senator Pearce's comment about the rail project market analysis being a cart before the horse, he attended the ARRC board meeting in the summer of 1998. Commissioner Perkins asked staff if the feasibility study for the airport terminal had been done, because DOTPF was looking at spending \$20 million of ARRC funds at that time. No feasibility study had been done to verify whether the project was viable. About three or four months later, Senator Stevens came through with money for the construction. Regarding Senator Elton's question, ARRC basically answers to no one locally, at least on the planning and zoning level. For example, ARRC is proposing to mine gravel on ARRC land adjacent to his neighborhood within a couple hundred feet of people's homes. ARRC does not

believe it needs to get a conditional use permit for the gravel extraction. Mr. Laberty said that Mr. Binkley does not want construction projects to become political before the legislature, yet ARRC executives go Washington, D.C. to lobby Senator Stevens. He urged the committee to support CSSB 123(TRA).

Number 1750

LINDA ANDERSON, representing River's Edge Resort in Fairbanks, stated support for CSSB 123(TRA). The Resort is in the middle of discussions and a local debate on the Fairbanks Bypass Reconnaissance Study. Having just learned about the Anchorage situation, she is concerned that Fairbanks is heading down that same path. ARRC is making an effort to involve the public in that process, but as she speaks to people in Fairbanks about the Fairbanks realignment proposal, she has found that many people who should be at the table are not. Waiting until the environmental impact statement process occurs is not the answer. Many people in the community would like to be able to work with ARRC and look at alternatives. It appears as though ARRC has already selected one certain route. This route is creating an entirely new rail corridor through the community of Fairbanks down the meridian of the Parks Highway. Of five new hotel developments in one area, four were not notified about this process. She has spoken with Mr. Binkley at length about this issue, but many of the other resorts have not. To engage the legislature in this process is appropriate and critical. ARRC has approached our congressional delegation about funding for the Fairbanks project. It's estimated to cost about \$85 to \$100 million. The bottom line is there has to be a lot more community input. In a second class borough, such as Fairbanks, and most of the entire Railbelt, except for Anchorage, there is no required authority process that has to take place, other than resolutions, for a railroad project. Once a right-of-way is acquired, the project can proceed. Fairbanks does have an FMATS process but ARRC is not required to be engaged in it.

CHAIRMAN COWDERY asked for questions or further testimony. There being none, the committee took a brief at-ease.

SENATOR TAYLOR moved CSSB 123(TRA) from committee with individual recommendations.

SENATOR ELTON objected to comment that he does not like to get involved in local issues. He will defer for now to the people whose communities have been most affected. He then withdrew his objection.

CHAIRMAN COWDERY announced that CSSB 123(TRA) would be moved to the next committee of referral.

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SB 111-BONDS TO FUND PORTS AND HARBORS

SENATOR ROBIN TAYLOR, prime sponsor of SB 111, explained that last year the legislature passed legislation that provided for upgrading ports and harbors across the state. This was a major part of the commitment the legislature made to the taxpayers and voters of Alaska when it said it would begin addressing the deferred maintenance needs in the five year plan. Because ports and harbors do not fall within the statewide transportation improvement plan (STIP), money was appropriated last year for specific harbors. SB 111 reflects a problem that was occasioned by an amendment made in the Finance Committee to last year's bill. That amendment provided that each community would have to pay for and obligate itself to a bond and, upon accomplishing the repair, the harbor would then be transferred to the community. None of the communities that he is aware of wanted to do that. The final version of the bill provided a mechanism the communities could not take advantage of without significantly increasing the cost to themselves. The harbors would not be transferred to the communities until DOTPF signed off on the repairs. That process has never been used before. The harbors were originally built with 50 percent federal money and 50 percent state money. Unfortunately, the state never set up an account to maintain the harbors.

SENATOR TAYLOR explained that the only difference between SB 111 and last year's bill is that SB 111 would fund harbor repairs in the same way they have been funded in the past, through general obligation bonds. Those bonds are backed up by a \$50 million appropriation that the state receives from the Alaska Housing Finance Corporation. That appropriation accomplishes the purpose of funding these projects. He hopes that additional funds will be forthcoming from AHFC and that the legislature will hold to its commitment made last year.

SENATOR TAYLOR recommended two amendments to the committee: one by Senator Elton for funding to renovate the harbors in Juneau; and one that includes the Adak small boat harbor at a cost of \$500,000. The Adak small boat harbor could play a large role in fisheries in that area, especially small boats that deliver to the processing plants. He pointed out SB 111 will need to be accompanied by a companion bill that will provide for the transfer of the harbor facilities and require the communities to be responsible for harbor maintenance.

SENATOR TAYLOR moved to adopt CSSB 111(TRA). There being no objection, the motion carried.

SENATOR ELTON noted that he hardly ever completely concurs with Senator Taylor, but SB 111 is one of those instances in which he does. He believes Senator Taylor is absolutely right. The deferred maintenance task force and the legislature recognized the perfect arrangement of constellations in which the state could bring the harbors up to snuff and then step aside from the ongoing maintenance responsibilities by turning the harbors over to the communities. He thinks the communities welcomed that notion because they recognize that ports and harbors are economic engines. However, communities were reluctant to take on that responsibility until the state brought the harbors up to code. SB 111 gets back to the original intent of the legislature, which was based on the deferred maintenance task force's recommendations.

SENATOR ELTON noted that the bill may need two other changes that are technical in nature. He explained that his proposed amendment (Amendment 1) is on page 2. On line 9, the \$34,627,500 total amount is changed to \$41,746,500 and after line 23, a new line is added that reads, "Juneau 7,119,000." On page 3, lines 22 and 25, the \$34,627,500 total amount is replaced with \$41,746,500.

CHAIRMAN COWDERY asked Senator Taylor if he is agreeable to the amendment.

SENATOR TAYLOR said he is.

SENATOR ELTON moved to adopt Amendment 1. There being no objection, the motion carried.

CHAIRMAN COWDERY took public testimony.

MR. CHARLIE BRANCH, City of Cordova Harbor Department, stated that last year's last minute change put the transfer of ownership of harbors on the municipalities first and promised to reimburse for repairs after. He is glad to see the return to the original intent. He supports CSSB 111(TRA).

MR. RAY MAJESKI, Sitka Harbormaster, commented that he appreciates Senator Taylor's effort. Sitka has been eager to take over the three state-owned harbors, but it needs the money to do the repairs. Sitka needs the harbors repaired and transferred as quickly as possible. Any further delay will cause the harbors to fall into more disrepair and cost more as time goes on. DOTPF's repair estimates are already two years old. It is critical that SB 111 pass quickly with no strings attached. Obtaining permits for repairs could take up to five years.

Number 9993

SENATOR TAYLOR asked if the City of Sitka has already initiated some of the emergency repairs without state funding.

MR. MAJESKI said the A, B, C, and D floats at Old Thompson Harbor were sinking so the City appropriated \$156,000 to replace floatation and do some structural repairs.

SENATOR TAYLOR commented that some of these cities are so desperate they are having to go into their treasuries to repair state-owned harbors.

MR. BILL McLENDON, Acting City Administrator of Sitka, said he is encouraged about returning to the original plan of action, that being the money up front with no strings attached.

MS. NANCY PETERSON, Assistant City Manager of Valdez, said the City of Valdez is very supportive of CSSB 111(TRA). She agrees with Mr. Majeski that passing the bill this year would be very beneficial. The City of Valdez is in need of the money now and costs are increasing on a daily basis.

The moderator from the Petersburg LIO informed Chairman Cowdery that Daniel Hickman would like to testify and that four other participants from Petersburg concur with Mr. Hickman's position. Those participants are Dean Weeden, Mark Jensen, John Stromdahl and John Deboer.

MR. DANIEL HICKMAN, a member of the Petersburg harbor board, said he is speaking for the members of the harbor board, most of which were present. The board supports CSSB 111(TRA). Petersburg's harbors are in definite need of renovation and some construction. The board recognizes that the harbors hold an important economic position in the community. He asked whether the bill contains any local bond requirements or responsibilities and what the intent and timeline is to transfer the harbors to the municipalities.

SENATOR TAYLOR explained that two bills will be necessary to accomplish this purpose. One bill will provide for the appropriation and the second bill will provide for the substantive change in law. The second bill will provide for the transfer of the harbors to the communities from the state upon the completion of the repairs. He assumes the repairs will have to be done to both DOTPF's and the communities' satisfaction. That bill will probably be filed by Monday.

Number 615

MR. ROBERT PRUNELLA, City Manager of Wrangell, said the City of Wrangell concurs with CSSB 111(TRA) and would like to see it expedited.

MS. SANDRA MOELLER, President and CEO of the Aleut Enterprise Corporation, expressed support for CSSB 111(TRA) and the amendment to include work on the Adak. Adak has a fish processor and is trying to attract small boats. Adak has five to six vessels that are less than 60 feet but port facilities are limited and were not set up to accommodate fishing vessels. Adak contributes to the general fund through its fish and fuel taxes.

MR. CHRIS GATES, also with the Aleut Enterprise Corporation, told committee members that the U.S. Navy has condemned the small boat harbor on Adak. A small boat harbor is important to attracting businesses and families to the community.

MR. MATT ROWLEY, City of Whittier, stated full concurrence with CSSB 111(TRA) and the amendments as presented.

MR. JOHN BITNEY, legislative liaison for the Alaska Housing Finance Corporation (AHFC), said SB 111 is a rewrite of a piece of legislation that passed last year that made various bond authorizations. The projects in SB 111 are being added to a section of last year's bill that authorized AHFC to issue general obligation bonds whereby the repayment of those bonds was to come from the \$50 million dividend that AHFC provides to the state each year. The bonds authorized in last year's legislation were closed on February 7. The full \$50 million was pledged as the debt service payment for those bonds out to fiscal year 2007. At this time, the full capacity of AHFC to issue general obligation bonds has been completed. The package that was done completed the capacity that was made available to the state when AHFC first started doing this in 1998. This was the first time that a housing authority had gone out and issued bonds backed by its own credit on behalf of the state government. He repeated the capacity has been completed at this time and the full amount of funds have been obligated into the future.

SENATOR TAYLOR said he understood AHFC's fiscal note but he does not understand how, under last year's legislation, had each of these communities gone out and bonded themselves, that legislation provided the mechanism for reimbursement. He asked if AHFC would not have had any money available to reimburse those communities until 2007.

MR. BITNEY replied,

The section in the bill that offered reimbursement to the municipalities was an offer to these municipalities - the reimbursement was offered from the state general fund. The reimbursement in this case here was not intended to come from AHFC. There were two packages of bond projects in that bill. There were the reimbursements that I just discussed, as well as the list of projects that were added to here. So the projects that we're running in here were ones that were supposed to be reimbursed from the state general fund, not from the Alaska Housing Finance Corporation.

SENATOR TAYLOR asked, had the municipalities gone out and bonded themselves and rebuilt their harbors last year, the legislature would have to come up with general funds and there would be no bonding capacity.

MR. BITNEY said that is correct.

SENATOR TAYLOR said, "Well, I guess we got lied to two ways then, didn't we? Thank you very much. I appreciate your comments John."

Number 24

KURT PARKAN, Deputy Commissioner of the Department of Transportation and Public Facilities, introduced Harold Moeser, DOTPF's harbor engineer. Mr. Parkan said DOTPF shares Senator Taylor's concern and believes the harbors need to be repaired as soon as possible and transferred to the communities that are willing to take ownership of them.

TAPE 01-11, SIDE A

MR. PARKAN explained a few differences between CSSB 111(TRA) and SB 118, the Administration's bill. First, the only difference in the list of harbors in both bills, aside from Adak and Juneau, is the inclusion of the Yakutat harbor at a cost of \$526,000 in SB 118. Yakutat is willing to take over its harbor if it is fixed. Second, the funding mechanism in SB 118 is via certificates of participation. Deven Mitchell, debt manager for the state, can speak to the details of that method. He noted SB 118 uses the marine motor fuel tax as a revenue source and issues debt using certificates of participation for that debt. That debt would be issued this fall and the money would go to the communities immediately after that. The projects could be done as early as next summer. Using a general obligation bond approach would require a vote of the people in the next general election in 2002 and the bonds would be sold in the following spring. Essentially, both proposals look at addressing a need that is recognized by communities.

SENATOR TAYLOR asked if Adak was a military facility that was conveyed to a Native corporation and whether the state actually owns that harbor.

MR. MOESER, Ports and Harbors engineer, DOTPF, said the state does not own it.

SENATOR TAYLOR asked if that presents a unique question as to ownership and bonding and the capacity of the state to go in and do the repairs.

MR. MOESER said that is correct in the way SB 111 is written now. The bill would take some additional language.

SENATOR TAYLOR said he would hold off on making the Adak amendment at this time to get clarification on the additional language. He moved a second amendment (Amendment 2) to include \$526,000 for the Yakutat harbor and to change the totals in the bill to reflect that addition. There being no objection, the motion carried.

SENATOR TAYLOR then made a conceptual amendment (Amendment 3) to integrate the funding mechanisms for certificates of participation and utilization of the marine fuels tax into CSSB 111(TRA) as opposed to the paragraph that begins, "The bond committee shall issue"

SENATOR ELTON objected and asked Mr. Parkan if, in the process of giving the money that DOTPF raises by issuing certificates of participation, DOTPF is required to put strings on how that money is used and whether communities can determine the priorities on the harbor fixes that are needed.

MR. PARKAN explained that DOTPF would give the communities the money and ownership and would lease back the facilities until the debt was paid off, at which point the transfer would take place.

SENATOR ELTON said he is comfortable with DOTPF giving the communities the money to fix the harbors in the way the communities see fit. He is less comfortable if DOTPF tells the communities which projects the money can be spent on.

MR. MOESER said it is DOTPF's intent to transfer the money with as few strings as possible. Whatever strings the bonds put on DOTPF will have to be put on the communities. DOTPF needs to have an interest in the properties in order to pay off the bonds. He repeated that DOTPF's intent is to transfer the money to the communities so that they can implement the projects. The basis of the estimates is on a "shell," meaning that if DOTPF was going in, that is where they would put the money. However, DOTPF doesn't care as long as the money goes into the harbors. He stated the

communities do need to establish their priorities and develop their projects without any interference from DOTPF.

SENATOR ELTON removed his objection to Amendment 3, therefore it was adopted.

SENATOR TAYLOR thanked Mr. Moeser for the work he has done in the communities in his district. All of the harbor masters in his district appreciate the way Mr. Moeser has assisted them.

MR. MARK HICKEY, representing the Aleut Enterprise Corporation and the community of Adak, told Senator Taylor that the harbor in Adak is under the control of the Adak Reeves Corporation, which is a public non-profit corporation set up under the Base Closing Act. The agreement has the harbor ultimately owned by the community of Adak. The community will be voting for incorporation in about 10 days and that community is expected to be set up by July. One other harbor project in the bill is not for a state-owned harbor, and that is in Nome. That harbor is owned by the City of Nome. SB 118, which includes Adak and Nome, has a mechanism to accommodate Senator Taylor's concern. Under SB 118, the state would end up with a lease-hold interest covering the time period of payment of the debt so that the process of using the certificates of participation would be legitimate for both Nome and Adak. He suggested if the committee is supportive of doing the Adak project, it could treat Adak consistent with the way it is done in SB 118. He pointed out the concern Senator Taylor is raising is already in SB 111 because of Nome. Adak is a little different in that the harbor is expected to be in the city's hands by August. SB 118 does not allow any money to be spent on Adak unless that happens.

SENATOR TAYLOR said with that thought in mind, he offers Amendment 4, and that is to include Adak at \$500,000. He said he is concerned about that number because he doesn't think Mr. Moeser has had an opportunity to go out and see that harbor to determine the true cost of that project. He said that number is soft at this point but he will offer it as an amendment, as well as a conceptual amendment (Amendment 5) to include the transitional language (from SB 118) necessary to allow Nome and Adak to receive funds.

CHAIRMAN COWDERY announced, with no objection, Amendments 4 and 5 were adopted.

SENATOR TAYLOR moved CSSB 111(TRA) from committee with individual recommendations. There being no objection, the motion carried.
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#SB 44

#SB 45

CHAIRMAN COWDERY announced that the committee was out of time so he would hold SB 44 and SB 45 until another hearing. He then

adjourned the meeting.
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