

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**January 29, 2004**  
**9:03 AM**

**TAPES**

SFC-04 # 3, Side A  
SFC 04 # 3, Side B

**CALL TO ORDER**

Co-Chair Gary Wilken convened the meeting at approximately 9:03 AM.

**PRESENT**

Senator Gary Wilken, Co-Chair  
Senator Lyda Green, Co-Chair  
Senator Con Bunde, Vice-Chair  
Senator Fred Dyson  
Senator Ben Stevens  
Senator Donny Olson  
Senator Lyman Hoffman

**Also Attending:** SENATOR JOHN COWDERY; REPRESENTATIVE BILL STOLTZE; DARWIN PETERSON, Staff to Senator Gary Wilken; WENDY LINDSKOOG, Director of External Affairs, Alaska Railroad Corporation, Department of Community and Economic Development

**Attending via Teleconference:** From Offnet Sites: BOB LOEFFLER, Director, Division of Mining, Land and Water, Department of Natural Resources; SANDY GILLESPIE, Visual Arts Program Director and Coordinator, One Percent for Arts Program, Alaska State Council on the Arts; From Anchorage: SHALA DOBSON, Retired Anchorage School District Art Teacher and Artist; JOCELYN YOUNG, Coordinator, One Percent for Art Program, Municipality of Anchorage; From Fairbanks: BARBARA SHORT, Coordinator, One Percent for Art Program, Fairbanks North Star Borough School District; JEANNETTE JAMES, Former State Representative and Railroad Advisor to the Governor.

**SUMMARY INFORMATION**

HB 215 - ONE PERCENT FOR ART

The Committee heard from the bill's sponsor and took public testimony. A committee substitute was proposed but the motion to

adopt was tabled. One amendment was discussed, but not offered for adoption. The bill was held in Committee.

SB 31-RAILROAD UTILITY CORRIDOR TO & IN CANADA

The Committee heard from the bill's sponsor, the Alaska Railroad Corporation, the Department of Natural Resources, and took public testimony. The bill was held in Committee.

#hb215

CS FOR HOUSE BILL NO. 215(STA) am  
"An Act relating to art requirements for public buildings and facilities; relating to identification, monitoring, maintenance, and reporting of art in public buildings and facilities; and relating to the art in public places fund."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken stated that this legislation would amend the One Percent for Arts Program by limiting the one percent for art requirement to the first \$10 million of State funding of a building and assessing any funds exceeding \$10 million at a one half of one percent level. He informed the Committee that a Senate committee substitute for the bill, Version 23-LS0605\S, has been developed for consideration.

REPRESENTATIVE BILL STOLTZE, sponsor of the bill, informed the Committee that this legislation has been supported by the Legislature for many years; however, he recounted, previous legislation has been vetoed by former governors of the State. He stated that his re-submittal of this legislation is based on concern for the State's fiscal situation as opposed to being a negative reflection on the arts. Furthermore, he noted that the public is questioning the State's expenditure of money on this program; particularly, he noted when other needs such funding for school libraries or playground equipment, are going unmet.

Representative Stoltze stated that the original version of the bill was more conservative in that it would have repealed the One Percent for Art Program; however, he conveyed that, as the bill progressed through the committee process, "it turned into a bill reforming the Percent for Art Program; ratcheting down the amount of money, but maintaining the program" as well as providing a funding mechanism for maintenance of the art. He expressed that, in addition to receiving wide support in the House of Representatives,

the legislation has received support from art councils and the arts community.

Senator B. Stevens moved to adopt the Version "S" committee substitute as the working document.

Co-Chair Green and Senator Dyson objected.

DARWIN PETERSON, staff to Co-Chair Wilken, explained that there are four major changes in the Version "S" committee substitute. He noted that the most important change is that the Senate committee substitute increases the one-percent for art limit to \$20 million of the State's construction cost as opposed to the \$10 million limit designated in the House bill. He stated that the second change is that the Senate committee substitute does not include a residency requirement as specified in the House bill because the State's legal counsel has advised that that language might "run afoul of the privileges and immunity's clause in the United States Constitution." He pointed out that the language being omitted in the Senate committee substitute is located in Section 3 in the House of Representatives' bill, Version 23-LS0605\I.A that reads as follows.

Sec. 3. AS 35.27.020(g) is amended to read:

(g) The architect, superintendent, department, and the Alaska State Council on the Arts shall encourage the use of state cultural resources in these art works and shall to the extent permitted by law, select [THE SELECTION OF ALASKA RESIDENT] artists for the commission of these art works who are residents of the state under AS 01.10.055.

New Text Underlined [DELETED TEXT BRACKETED]

Co-Chair Green understood therefore that the Senate committee substitute would completely delete Section 3 of the House bill, Version 23-LS0605\I.A.

Mr. Peterson concurred.

Co-Chair Wilken pointed out that the Legislative Research Services analysis, Report Number 03.204, dated April 30, 2003 [copy on file] contains the aforementioned legal opinion.

Mr. Peterson continued that the third change in the Senate committee substitute is that the previous definition of buildings and facilities would be expanded to include all buildings and facilities in the State that would be constructed with State funds and be "used for substantial public purpose."

Mr. Peterson stated that the fourth item changed is the reversal of previous definition changes that expanded construction costs to exclude such things as cost overruns. Furthermore, he noted that the Senate committee substitute incorporates on line 28, page three, Section 5, the word "revenue bond proceeds" as part of State funding.

Co-Chair Wilken referenced the spreadsheet titled "HB 215 - 1% for Art" [copy on file] that his office has provided and asked Mr. Peterson to explain the Senate committee substitute's affect on the amount of money that would be reserved for art.

HB 215 - 1% for Art

Existing Law

Portion of State Funding Reserved for Art Works in Public Buildings and Facilities as per AS 35.27.020(c)

Total Construction Cost per Building or Facility	1%	Total Reserved for Arts
\$ 5 million	\$ 50,000	\$ 50,000
\$10 million	\$100,000	\$100,000
\$15 million	\$150,000	\$150,000
\$20 million	\$200,000	\$200,000
\$25 million	\$250,000	\$250,000
\$30 million	\$300,000	\$300,000
\$40 million	\$400,000	\$400,000
\$60 million	\$600,000	\$600,000
\$80 million	\$800,000	\$800,000

House Version

Portion of State Funding Reserved for Art Works in Public Buildings and Facilities as per CSHB 215(STA)am

Total Construction Cost per Building or Facility	1% (up to \$10 million)	.5% (over \$10 million)	Total Reserved for Arts
\$ 5 million	\$ 50,000	0	\$ 50,000
\$10 million	\$100,000	0	\$100,000
\$15 million	\$100,000	\$25,000	\$125,000
\$20 million	\$100,000	\$50,000	\$150,000
\$25 million	\$100,000	\$75,000	\$175,000
\$30 million	\$100,000	\$100,000	\$200,000
\$40 million	\$100,000	\$150,000	\$250,000

\$60 million	\$100,000	\$250,000	\$350,000
\$80 million	\$100,000	\$350,000	\$450,000

Senate Finance Committee Version

Portion of State Funding Reserved for Art Works in  
Public Buildings and Facilities as per SCS CSHB 215(FIN)

Total Construction Cost per Building or Facility	1% (up to \$20 million)	.5% (over \$20 million)	Total Reserved for Arts
\$ 5 million	\$ 50,000	0	\$ 50,000
\$10 million	\$100,000	0	\$100,000
\$15 million	\$150,000	0	\$150,000
\$20 million	\$200,000	0	\$200,000
\$25 million	\$200,000	\$25,000	\$225,000
\$30 million	\$200,000	\$50,000	\$250,000
\$40 million	\$200,000	\$100,000	\$300,000
\$60 million	\$200,000	\$200,000	\$400,000
\$80 million	\$200,000	\$300,000	\$500,000

Mr. Peterson explained the three charts on the spreadsheet and noted that, based on a \$20 million State funded construction project, both the existing law and the Senate committee substitute would reserve \$200,000 for arts as opposed to the House proposal which would reserve \$100,000 based on the one percent allocation being limited to the first \$10 million. However, he clarified that the Senate committee substitute differs from existing law in that, for anything exceeding \$20 million, the reserve amount would be factored at one half of one percent.

Co-Chair Wilken asked Co-Chair Green and Senator Dyson whether their objections pertained to any of the four aforementioned changes, and if so, he asked that they speak to that point.

Co-Chair Green responded with a request that each of the Senate committee substitute changes be explained in terms of whether a funding increase or decrease would result as compared to the House version of the bill or to existing law.

Mr. Peterson responded that the Senate committee substitute's establishment of a \$20 million limit would result in increased funding as compared to the House version of the bill. However, he stated that because there is no "ceiling" in existing law; and in that regard, a funding decrease would result.

Mr. Peterson commented that the Senate committee substitute's second change, which addresses residency requirements, would not

affect funding.

Co-Chair Green noted that the Senate committee substitute deletes Section 3 of the House bill, and she asked that the section be explained.

Co-Chair Wilken interjected that this information is located on page two, line 12 of the House bill, Version 23-LS0605\I.A.

Sec. 3. AS 35.27.020(g) is amended to read:

(g) The architect, superintendent, department, and the Alaska State Council on the Arts shall encourage the use of state cultural resources in these art works and shall to the extent permitted by law, select [THE SELECTION OF ALASKA RESIDENT] artists for the commission of these art works who are residents of the state under AS 01.10.055.

New Text Underlined [DELETED TEXT BRACKETED]

Representative Stoltze identified the language in question as the "who are residents of the state..." section.

Co-Chair Green acknowledged the legal opinion that this section is unconstitutional.

Senator Bunde opined that because the language reads "to the extent permitted by law," it does not "really matter" whether or not the language is in the bill.

Senator Olson asked the original drafting intent of this language.

Representative Stoltze surmised that the original intent was to support a preference for local Alaska hire.

Senator Olson agreed that local resident hire is preferred.

Co-Chair Wilken commented that in his experience of serving on two one-percent for art committees in Fairbanks, local hire receives a preference regardless of whether it is or is not in law.

Senator Bunde asked for cost examples of various public facilities in order to better comprehend the affect of the legislation.

Mr. Peterson reiterated that this legislation is "specifically tied" to the construction costs of a project. He informed that the State's share of the total \$80 million construction costs of the M/V Kennicott was \$15 million; the Food Safety Laboratory total cost was approximately \$10 million; and the total cost of the

Alaska Psychiatric Institute (API) is anticipated to be less than \$35 million.

Mr. Peterson clarified even though the residency requirement is eliminated in the Senate committee substitute, the words "the Council shall encourage Alaska resident artists" would remain in existing law.

Mr. Peterson stated that the third change in the bill, which is located in Sec. 4, page three, is that it expands the facility or building definition. In answer to Co-Chair Green's question regarding how the bill would affect the One Percent for Art Program, he shared that this expansion would provide art funds to State programs such as the University of Alaska, the Alaska Aerospace Development Corporation, and the Alaska Railroad Corporation, which were not previously included. However, he noted that Alaska Aerospace Development Corporation facilities might be excluded from forthcoming committee substitutes were it further determined that their facilities are not constructed with State funds nor are for public use.

Co-Chair Wilken affirmed that the Alaska Aerospace Development Corporation receives very little State funding and its facilities are not for public use. Voicing surprise and disagreement with the fact that the University of Alaska had opted out of the program in the past, he commented that he looked forward to hearing the University's testimony in this regard. He noted that the Railroad's terminals would benefit from inclusion in the program.

Senator Dyson inquired as to whether, aside from the mandated One Percent for Art Program, any other building program might restrict or prohibit monies dedicated for art.

Co-Chair Wilken responded that no other known restrictions apply.

Senator Bunde surmised that were there no One Percent for Art Program, ten percent, for example, could be dedicated for art.

Co-Chair Wilken concurred, but clarified that this legislation could also allow that to occur as its language specifies a minimum of one percent.

Co-Chair Green asked why this legislation would apply to how the University or the Alaska Railroad Corporation "spend their money" as, she continued, there has been "a long observed" "hands off" approach to these entities where other budgetary "arenas" are concerned.

Co-Chair Wilken reminded that the University was included in the One Percent for Art program in the 1990s; however, he continued, its Board of Regents opted out of the program. He noted that further discussion would occur in regard to Co-Chair Green's question.

Senator Bunde asked "under what authority" the University could opt out of the program and "circumvent State law."

Co-Chair Wilken responded that the University would be provided an opportunity to address this concern.

Co-Chair Wilken noted that the fourth change contained in the Senate committee substitute is technical in nature and would not have any monetary affect.

Co-Chair Wilken again asked whether the objection to the committee substitute is maintained.

Co-Chair Green and Senator Dyson maintained their objections.

Co-Chair Wilken stated that the motion to adopt the Senate committee substitute would be TABLED for the time being.

SANDY GILLESPIE, Visual Arts Program Director and Coordinator, One Percent for Arts Program, Alaska State Council on the Arts, testified via teleconference from an offnet site in Anchorage and stated that the Council supports the Senate committee substitute's language that would base the one percent funding for art on \$20 million as opposed to the House's \$10 million maximum level. Furthermore, she noted that while the Senate committee substitute would eliminate the residency language section of the bill, language "that encourages the Council to support local artists" would remain in the bill. She noted that the Council does honor the local hire request, and she noted that oftentimes, the level of available funding is insufficient to provide for shipping and travel expenses, and therefore encourages local hire.

Ms. Gillespie stated however, that both in-state and out-of-state artists are solicited for large projects, and she opined that this process serves "to raise the bar" regarding quality of work. In addition, she noted that Alaskan artists benefit from being able to respond to solicitations from other state's Percent for Art Programs. Continuing, she noted that the Council would support the Legislature's intend in this regard.

Ms. Gillespie acknowledged that while funding is required to help maintain existing art, facilities owning the artwork should

dedicate funds to maintenance and repair.

Co-Chair Wilken noted that the funds for art maintenance language is located on page two, lines 1-4 of Section 1 of the Senate committee substitute, Version "S," that reads as follows.

...Of the total amount that is received for works of art for a building or facility under this subsection, at least five percent shall be deposited in the art in public places fund established under AS 44.27.060 to meet future maintenance needs of art works in public buildings and facilities.

Ms. Gillespie noted that oftentimes, the balance of money in the art bank is low, and therefore, she asked that consideration be given to expanding the use of the "five percent of the one percent" funds and specifying that maintenance would be one of several options.

Co-Chair Green asked for further clarification of the Council's request regarding the maintenance funds.

Co-Chair Wilken surmised that the Council desires the definition of maintenance to be further clarified.

Ms. Gillespie concurred.

SHALA DOBSON, Retired Anchorage School District Art Teacher and Artist, testified via teleconference from Anchorage that, as an artist who participates in a variety of art programs including the One Percent for Art State program, she has yet to meet anyone who is unappreciative of the art that is placed in public facilities such as schools. In addition, she noted that the art provided by the State program is, in some areas of the State, the only art that people are exposed to, and as such, she stated, the program is beneficial. She "commended" the art maintenance component in the committee substitute; however, she questioned limiting the amount of the project funding that would be subject to the One Percent for Art multiplier. She argued that a project's level of art should be "to scale" with the facility rather than being limited by "a cap." She also voiced concern that correctional institutions, such as the Mat-Su Youth Correctional facility, might be exempt from the program, as she stated that an environment without art is not very compelling and that art would be important to the people who work or are confined there.

Co-Chair Green understood that the Mat-Su Youth Correctional Facility is a component of the Department of Health and Social Services and would therefore not be exempt.

JOCELYN YOUNG, Coordinator, One Percent for Art Program, Municipality of Anchorage, testified via teleconference from Anchorage and informed the Committee that the Municipality of Anchorage's art program is based on State law. Furthermore, she noted, it is important to recognize that the original law was intended to be self-regulating in that it would provide money for art as needed. Continuing, she expressed that rather than decreasing the amount of funding dedicated for art, consideration should be given to the fact that inflation and other factors have increased the price of art. She exemplified that art banners in the Sullivan Arena that were purchased in the 1980s for approximately \$14,000, would cost in excess of \$40,000 to replace today. She stated that while supportive of most of the language in the Version "S" committee substitute, she is opposed to limiting the amount of money for art as it would negatively affect public use facilities.

Ms. Young informed the Committee that during a typical construction project, approximately 15 percent of a project's total is allocated to a contingency fund. She noted therefore, that specifying that one percent be set aside for art or even reducing the amount to less than one percent would have minimal impact on a project's overall construction or operational budget.

Senator Hoffman understood that the legislation would reduce rather than limit or "cap" the amount mandated for art.

Co-Chair Wilken expressed that changing the amount being allotted from one percent to one half of one percent might be interpreted as "a cap."

Senator Hoffman clarified therefore, that the legislation would not limit the amount of art money but would rather reduce the amount.

Ms. Young agreed that she is referring to the reduction.

BARBARA SHORT, Coordinator, One Percent for Art Program, Fairbanks North Star Borough School District, testified via teleconference from Fairbanks and characterized the art program as being beneficial to the educational system as well as to the economy. She urged the Committee to increase the proposed maximum one-percent for art level beyond \$20 million in order to adequately supply sufficient art to large public use facilities such as courthouses and other places where the public might congregate. She noted that while the proposed \$20 million limitation would save the State some money, "the impact on the building and on the users and on the art community in Alaska would not make that amount of savings worthwhile." She opined that while the money could be used to

purchase things such as computers, the benefits derived from those alternatives would not equate to the benefits the public receives from art. Continuing, she asked that consideration be given to allocating the proposed five percent of one percent maintenance funds to the entities buying the art rather than those monies being allocated to the Alaska State Council on the Arts.

Senator Bunde calculated that a \$10 to \$15 million-construction project would reserve \$100,000 to \$150,000 for art. In an attempt to better understand the trickle down affect on the economy that results from commissioning art from local artists, Senator Bunde inquired as to an artist's typical profit margin.

Ms. Short responded that typically when soliciting art proposals, a budget must be submitted by a bidding artist, and she stressed that serious attention is provided to these proposals. She noted that art materials and art fabrication are expensive. She pointed out that even though the chosen artist might not be local, local people benefit from assisting in such things as the installation process or travel needs. She commented that it is difficult to determine exact profit percentages, as multiple factors must be taken into account. Finally, she noted that, "in many cases the artist is so happy to be working and getting paid for their time, that they take a fairly low dollar cost per hour fee."

Senator Bunde asked whether expenses might account for 50 percent of the commission.

Ms. Short estimated that expenses amount to at least 75 percent of the commission.

Amendment #1: This amendment inserts a new subsection into Section 5(1)(B) of CS HB 215(STA) on page 3, following line 25 as follows.

(iv) buildings for which the primary purpose is to display or perform art, to train people for the creation or performance of art.

Senator Dyson explained, but did not offer for adoption, Amendment #1. He stated that his amendment would expand the facility definition exemption to include art-related facilities such as "art museums, places where art is displayed or performed, or for people training." He asked that consideration be given to providing adequate funding for these facilities.

Co-Chair Wilken commented that the amendment would be considered.

Representative Stoltze voiced that rather than being an anti-arts

person, he and his family have a history of art involvement and art appreciation.

Co-Chair Wilken ordered the bill HELD in Committee.

#sb31

CS FOR SENATE BILL NO. 31(RES)

"An Act relating to a transportation corridor for extension of the Alaska Railroad to Canada and to extension of the Alaska Railroad to connect with the North American railroad system."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken explained that this bill would authorize the Alaska Railroad Corporation "to delineate a transportation utility corridor from Eielson Air Force Base" in Fairbanks to the Alaska/Canada border. He stated that the bill's sponsor, the Alaska Railroad Corporation, and the Department of Natural Resources would address issues and questions that were raised during the first hearing on this bill on May 7, 2003. In addition, he asked the bill's sponsor, Senator John Cowdery, to share with the Committee a synopsis of the recent railway conference he had organized. He also noted that interest in this legislation has "heightened" due to recent industry interest in furthering a gas pipeline.

SENATOR JOHN COWDERY, sponsor of the bill, informed the Committee that the recent railway conference was well attended by Alaskan and Canadian representatives and that the consensus was that a railroad corridor would be required in both Canada and Alaska. Furthermore, he added, agreement was that, with the assistance of the infrastructure provided by the railroad, the gas pipeline would boost the economics of areas. He observed that building the Panama Canal today rather than in 1914, would cost \$90 billion as compared to the gas pipeline's projected cost of \$2.7 billion.

Senator Cowdery opined that the need to build a gas pipeline is compounded by the concern that the Panama Canal could be targeted by terrorists, and, he continued, were that to occur, the consequences on the transportation needs of the world could be serious. He noted that there is strong support for the development of this railroad corridor, and he urged the Committee to further this bill.

Co-Chair Wilken noted that he had also attended the railroad conference and that he was struck by the enthusiasm and energy of

those in attendance, particularly the Canadians.

Senator Cowdery concurred, and noted that interest has not waned in the time since the conference.

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Senator Cowdery distributed a booklet compiled by his staff, titled "Alaska-Canada Rail Connection, Information Profile on a Railroad and Transportation and Utility Corridor to Connect Alaska with the Rest of the North American Rail System" [copy on file]. He noted that in addition to government attendees, private companies such as the Canadian National (CN) Railroad are "very enthused" by the prospect of a corridor, and he declared that "the time has come" to develop the railroad corridor to the Canadian border.

WENDY LINDSKOOG, Director of External Affairs, Alaska Railroad Corporations, Department of Community and Economic Development, referred the Committee to the Alaska Railroad handout, dated January 29, 2004 titled "Questions and Issues Explained, Subject: SB 31 establishing a transportation corridor to Canada" [copy on file] which, she noted, explains "in plain language" how the Senate Resources Committee bill before the Committee addresses issues and questions that have repeatedly surfaced over the years.

Ms. Lindskoog read the handout's Summary Statement as follows.

Summary statement: Under SB 31(RES), the Department of Natural Resources (DNR) will not convey all rights. It will reserve oil and gas mineral rights, the right to get people and commerce across the railroad, and the right to authorize a gas pipeline. DNR will have to consult with the Alaska Railroad Corporation (ARRC) on access issues to ensure applicable safety standards are met.

Ms. Lindskoog read the handout's first question and answer as follows.

Gas Pipeline Application: If the Railroad and gas pipeline are placed in the same corridor, which project is predominant? How will tariffs and crossing issues be handled?

The gas pipeline project takes first priority. SB 31(RES) would require ARRC to coordinate with potential gas line developers to ensure optimal location for a pipeline. DNR will reserve the right to authorize the gas pipeline. DNR will also

retain all tariffs and lease revenues related to the gas pipeline. The decision to cross the railroad right-of-way would be up to DNR but the crossing would have to comply with federal and other applicable safety standards. The crossing would have to maintain the integrity of the railroad and the crossing cost would have to be borne by the pipeline developers.

Senator Olson asked how a railroad accident in the corridor might affect the pipeline.

Senator Cowdery clarified that the proposed gas pipeline would be buried. He noted that safety measures would be implemented; however, he stated that no 100-percent safety guarantee could be assured.

Senator Olson asked whether the pipeline would be buried along the entire route.

Senator Cowdery responded, yes.

Ms. Lindskoog read the second question and answer as follows.

Surface vs. subsurface rights: Would the Railroad receive subsurface rights to resources under SB 31(RES)?

Under SB 31(RES) ARRC would not receive subsurface rights other than sand and gravel. ARRC would receive these rights only to a 200-foot right-of-way within the larger 500-foot corridor. ARRC would also receive surface rights to additional rail lands needed to accommodate such needs as maintenance, yards, transfer facilities, crew housing, etc.

Ms. Lindskoog read the third question and answer as follows.

Easement vs. Fee Simple Title: Why does ARRC need fee simple title to the land?

ARRC believes fee simple title to the lands it will receive is necessary for the following reasons:

Safety/Control: Railroad exclusivity enhances safety to the required federal limits. Control of the land gives the Railroad the ability to properly establish crossings to account for safety, to protect interstate commerce, and to reduce risk. All these factors contribute to increased transit time.

Revenue: Land revenue has been the key to the success of the Alaska Railroad. The revenue from real estate allows the Railroad to augment revenues from operations so the ARRC can support its operation and maintenance bills without having to seek state subsidies.

Ms. Lindskoog noted that a Fee Simple Title would allow ARRC to generate revenue from, for instance, a fiber optic cable being buried in the 200-foot right-of-way.

Senator Dyson commented that the ARRC has historically received more revenue from the leasing of its lands than from the revenue generated from transiting goods. Therefore, he asked whether ARRC is anticipating utilizing potential revenue from the leasing of portions of the right-of-way to fund its operations.

Ms. Lindskoog agreed that the Railroad has successfully raised revenue through the leasing of its lands. Furthermore, she noted that this operational model has allowed the Railroad to be self-sufficient as attested by the fact that it has not required State subsidies. Therefore, she stated that the Railroad would argue that it should be provided more land than specified in this legislation. However, she noted that the Railroad has agreed to compromise on this issue provided that it receive Fee Simple Title to the 200-foot right-of-way and sufficient land to address operational and safety issues. She noted however, for the record, that, "the Railroad would love to see a larger land package go with the bill" so that the Railroad could generate lease revenues "to help offset the cost of operating and maintaining the Railroad." She communicated that \$35,000 is required to maintain one mile of rail per year.

Senator Bunde commented, in regard to the safety and control issue, that residents in the South Central region of the state are often ticketed for trespassing on the railroad right-of-way when trying to access backcountry areas of the State and that, in addition, numerous moose are killed on the railroad. Continuing, he stated that the proposed railroad corridor would transit prime bison hunting land and he asked how this issue would be addressed.

Ms. Lindskoog responded that, while she is unsure of the answer to the bison question, protecting access for Alaskans is addressed in the handout.

Senator Bunde reiterated that allowing access to hunting areas should be considered.

Co-Chair Wilken affirmed.

BOB LOEFFLER, Director, Division of Mining, Land and Water, Department of Natural Resources, testified via teleconference from an offnet site to comment that the Fee Simple Title would be granted to the Railroad once the railroad is built. However, he assured that issues of economic importance to the State such as the ability to get across the railroad and the ability to authorize a gas pipeline would be reserved by the State.

Co-Chair Green asked whether title to this land would be granted to another entity for free or whether other lease or sale options were explored with the Railroad. She also asked whether the Legislature's involvement in the creation of this issue entitles the Railroad to receive the land for free.

Mr. Loeffler responded that the reason the land is being provided free to the Railroad is because the expense of constructing "a railroad like this is going to need all the financial help it gets in order to be built." He stated that to charge for the land would, in effect, "put a brake on its eventual construction."

Co-Chair Green echoed sentiments voiced by Senator Bunde that perhaps the State should consider a Railroad Dividend or some other form of future benefit from that corridor.

Senator B. Stevens asked whether the construction or gas pipeline operators would be required to purchase from the Railroad the sand and gravel that would be included in the subsurface sand and gravel rights provided to the Railroad.

Mr. Loeffler responded that the Department of Natural Resources would be able to sell those corridor materials until the time that the Railroad was built. After that time, he continued, the title and the rights to sell that sand and gravel would be conveyed to the Railroad.

Senator B. Stevens commented that the Railroad would have the right to choose the path of the corridor and would, due to the need to lay track on sand and gravel, choose the appropriate land.

Mr. Loeffler replied that while the Railroad has the right to choose the corridor, the Department of Natural Resources must concur with the route with the best interests of the State and the "eventual construction" of a gas pipeline in mind. However, he "fundamentally" agreed with Senator B. Stevens's comment.

Senator Cowdery declared, "that there is not a lot of gravel" in a 200-foot corridor. He determined, therefore, that the source of

gravel for the railroad or other corridor needs would be from "another source near the right-of-way."

Co-Chair Wilken noted that the Railroad's handout contains other issues that are self-explanatory.

JEANNETTE JAMES, Former State Representative and Railroad Advisor to the Governor, testified via teleconference from Fairbanks and stated that she supports the Administration position on the Railroad. She additionally noted that Alaska must meet the Canadian railroad at the border in order to make this issue viable. She also suggested that public/private partnerships might be the funding answer to accomplishing this goal. She stated that quick action on this legislation could take advantage of opportunities that are currently available.

Senator Olson asked whether the trucking industry has provided their perspective on this issue.

Co-Chair Wilken replied in the negative.

Co-Chair Wilken ordered the bill HELD in Committee.

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#### **ADJOURNMENT**

Co-Chair Gary Wilken adjourned the meeting at 10:11 AM