

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION COMMITTEE

May 6, 2003
1:25 p.m.

MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Thomas Wagoner, Vice Chair
Senator Gene Therriault
Senator Georgianna Lincoln
Senator Donny Olson

MEMBERS ABSENT

COMMITTEE CALENDAR

SENATE BILL NO. 213

"An Act establishing the Knik Arm Bridge and Toll Authority and relating to that authority; and providing for an effective date."

MOVED SB 213 OUT OF COMMITTEE

HOUSE BILL NO. 97 am

"An Act authorizing a long-term lease of certain Alaska Railroad Corporation land at Anchorage that is the subject of Alaska Railroad Contract No. 8371; and providing for an effective date."

MOVED HB 97 am OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

SB 213 - No previous action to record.

HB 97 - No previous action to record.

WITNESS REGISTER

Mike Barton
Commissioner, Department of Transportation &
Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898

POSITION STATEMENT: Introduced SB 213

John Bitney
Alaska Housing Finance Corporation
P.O. Box 101020
Anchorage, AK 99510-1020

POSITION STATEMENT: Testified on SB 213

Jerry Ward
No address provided
POSITION STATEMENT: Testified on SB 213

Wendy Lindskoog
Alaska Railroad Corporation
PO Box 107500
Anchorage, AK 99510-7500
POSITION STATEMENT: Testified on SB 213

Representative Vic Kohring
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor HB 97

Mark Marlow
Coordinator, Alaska Franchise Facilities
No address provided
POSITION STATEMENT: Testified on HB 97

ACTION NARRATIVE

TAPE 02-03-18, SIDE A

CHAIRMAN JOHN COWDERY called the Senate Transportation Committee meeting to order at 1:25 pm. Present were Senators Gene Therriault, Georgianna Lincoln, Donny Olson and Chair John Cowdery. Senator Thomas Wagoner arrived shortly. The first order of business to come before the committee was SB 213.

SB 213-KNIK ARM BRIDGE AND TOLL AUTHORITY

MIKE BARTON, Commissioner of the Department of Transportation and Public Facilities (DOTPF), said SB 213 establishes an authority for the Knik Arm Bridge and Toll Authority. It would be a public corporation and similar in structure to the Alaska Housing and Financing Corporation. It would have a three person board consisting of the commissioners of revenue and transportation and a public member appointed by the governor to a five year term.

The bill primarily relates to the authority's ability to issue revenue bonds and establish tolls to finance and build the toll bridge. The Knik Arm Bridge is an investment in the future of Alaska and will open residential and industrial land for development and provide for economic opportunity.

CHAIR JOHN COWDERY advised he hadn't had much time to read and absorb the bill. He then asked if the public board member would

be confirmed by the Legislature.

COMMISSIONER BARTON advised the bill doesn't require confirmation.

CHAIR COWDERY asked if there was a requirement for legislative approval of bonds. He referred to page 10, lines 5-8 and said it appears that the bonds would have to stand on their own.

COMMISSIONER BARTON said that's correct. The bonds would be revenue bonds, not general obligation bonds. The toll from the bridge would be pledged as collateral.

CHAIR COWDERY read from page 9, line 20, "The bonds issued by the authority do not constitute an indebtedness or other liability of the state or of a political subdivision of the state other than the authority," and from line 24 then asked if the Alaska Housing Authority representative would comment.

SENATOR GENE THERRIAULT asked whether the Legislature had to grant authorization.

COMMISSIONER BARTON said he didn't believe so, but he needed to get additional explanation.

SENATOR THERRIAULT said the Legislature periodically increases the authorization for the Alaska Industrial Development & Export Authority (AIDEA) and he wasn't sure whether that was the case for Alaska Housing Finance Corporation (AHFC), but both are an entity of the state.

COMMISSIONER BARTON said AIDEA needed authorization for certain types of bonds.

JOHN BITNEY, AHFC liaison, explained the statutes identify AHFC as a separate legal authority, which is the same as that proposed in SB 213. The corporation's operating and capital budgets are subject to legislative approval in the budget process, but the bonds are issued at the discretion of the board of directors with the key provision that they are a debt of the corporation and not of the state.

He noted the bill has a provision that no other authorities have that he is aware of; the bonds would be subject to review and approval by the state bond committee. He didn't know whether that provided a state link or not.

CHAIR COWDERY said the bonds must be scrutinized to ensure

they're a prudent investment whether the state stands behind them or not. Although he hadn't had time to thoroughly analyze the bill, he didn't believe there was any intent to obligate the state.

COMMISSIONER BARTON said the intent was not to obligate the state.

SENATOR DONNY OLSON asked Mr. Bitney if he saw any need for increased legislative oversight.

MR. BITNEY replied care should be taken so it is understood that the authority is selling bonds on its behalf. It's a balance between oversight and separation and the purpose is to make sure the authority isn't pledging any debt or obligation on the part of the state when the bonds are issued. They must be clearly structured and represented to the bond buyer that they aren't state obligations.

SENATOR OLSON asked if he meant there wasn't a need for the Legislature to be overly involved.

MR. BITNEY said, "Not on the approval of the bonds."

COMMISSIONER BARTON said bonds are usually insured so if there were a default, the bondholders would have recourse to the insurance company rather than the state.

CHAIR COWDERY asked what other state entities had bonding authority.

SENATOR THERRIAULT named the Aerospace Development Corporation and the Alaska Railroad and said some entities have limited bonding authority.

CHAIR COWDERY noted the bill hadn't had a lot of background work done, but would move to the Finance Committee.

SENATOR GEORGIANNA LINCOLN expressed the hope that the bill wouldn't move from committee that day.

CHAIR COWDERY advised he did intend to move the bill that day.

SENATOR LINCOLN said she received the twelve page bill even more recently than the Chair and because this was the only committee, other than finance, in which it would be heard, she didn't feel it was in the public's best interest to move the bill without taking adequate time to review the provisions and implications.

At this point, she wasn't even sure that all her questions had been formulated.

With regard to the DOT fiscal note, she asked where the money for the more than \$.5 million 2004 expenditure would come from.

CHAIR COWDERY replied, "Whatever it costs, the seed money is to try to get the federal money. That's behind all this...."

COMMISSIONER BARTON added this is one of the governor's highest priorities for Congressman Young to earmark federal funds for and he feels confident federal funds will be forthcoming.

CHAIR COWDERY said he has been working on the Knik Arm Crossing project for several years and is very enthusiastic.

SENATOR THERRIAULT noted the fund source for the \$523,700 was listed as "Other (CIP Receipts)" and he questioned why that is if federal money is anticipated.

COMMISSIONER BARTON replied "Other (CIP Receipts)" includes federal monies, but he would get clarification for that.

SENATOR THERRIAULT asked if it was correct that he did not expect any general fund dollars being used for operation of the bridge.

COMMISSIONER BARTON explained that Congressman Young was working to earmark the funds in the reauthorization of the highway bill.

CHAIR COWDERY opined the Transportation Committee was charged with approving the concept of establishing the authority and financial questions were not their purview.

SENATOR THERRIAULT asked if the bridge would start at the Port of Anchorage as indicated by a photo in his packet.

COMMISSIONER BARTON said they were a long way from deciding the specifics, but the concept they have been working with shows the crossing to be farther up the arm where the water is not as deep. A long span bridge going from shore to shore and a short span bridge with a causeway on each shore were both under consideration. There is a large cost differential between the 13,000 foot long-span concept and the 9,500 foot short-span concept.

CHAIR COWDERY advised he included the photo and map for conceptual purposes only; they weren't intended to be specific.

COMMISSIONER BARTON advised they were a long way from identifying the crossing site or the structure itself. Considerable geo-technical work would be done before deciding on the location and type of foundation.

CHAIR COWDERY said they are currently modeling a Corp of Engineers project in Mississippi to check on tides and current and determine what affect a causeway to Fire Island might have. SB 213 simply establishes the authority to work out the specifics.

COMMISSIONER BARTON agreed.

SENATOR LINCOLN said she had a number of questions and asked if it was correct that SB 213 asked for the authority to put together a board of three members and staff.

COMMISSIONER BARTON said it authorizes the staffing and gives power to the authority to bond and collect tolls and revenues.

SENATOR LINCOLN whether an EIS [Environmental Impact Statement] had been completed.

COMMISSIONER BARTON advised it is ongoing and part of the process.

CHAIR COWDERY remarked an EIS was completed in 1984 and it is being updated.

COMMISSIONER BARTON stated an EIS from 1984 has credibility difficulties and a full EIS would be completed on the project.

SENATOR LINCOLN commented it appeared as though the cart was before the horse. Prior to completion of the EIS, the bill allocates over \$500,000 to establish a board to oversee the project. She questioned the point at which the Legislature would receive a status report.

COMMISSIONER BARTON said the bill provides for an annual report from the authority and there would certainly be a report when the EIS was completed.

SENATOR LINCOLN referred to a November 27, 2002 article in which a Mat-Su planner expressed skepticism for the project and asked for the Commissioner's response and whether the Mat-Su Borough had taken a position on the project.

COMMISSIONER BARTON understood the Mat-Su Borough had passed a

resolution in support of the project. Not knowing the root of the planer's skepticism he was unable to respond to that. Certainly there were challenges associated with the project, but he thought it would was a long-term investment in Alaska's future.

SENATOR LINCOLN asked whether the Anchorage Assembly added a Knik Arm Crossing study to their long-range transportation plans.

COMMISSIONER BARTON replied he didn't know, but the authority would be expected to gather various independent studies in an effort to cut down on duplication and provide a coordinated effort.

SENATOR LINCOLN asked whether the Anchorage Assembly supported the project.

CHAIR COWDERY said they were in strong support.

SENATOR LINCOLN asked if she could get copies of supporting letters.

SENATOR OLSON asked when construction might begin since approximately \$500,000 was budgeted for planning for each of the next six years.

COMMISSIONER BARTON said the design work would be extensive due to the size of the project, but possibly as early as 2006 or 2007.

CHAIR COWDERY said Senator Jerry Ward wanted to give testimony as an interested party.

SENATOR JERRY WARD testified via teleconference in support of SB 213. He said the first meeting he attended on the Knik Arm Crossing was in 1956 and he applauded Governor Murkowski and Congressman Young on their efforts. He gave a brief history of the concept and expressed the view that the climate for starting the project was the best he had seen to date.

CHAIR COWDERY advised he would get the resolution from the Anchorage Assembly as Senator Lincoln requested. He said the military had expressed concern for an arch bridge to accommodate their height needs and that the bridge not conflict with the runway and create lighting confusion for both operations. Ultimately he envisions a twin city concept and that tax revenues from across Knik Arm might be shared with Anchorage.

SENATOR THOMAS WAGONER asked if there was a cost analysis on the

entire project and how long it might take to pay off the revenue bonds by running a toll bridge.

COMMISSIONER BARTON said no such analysis had been done; it would be a function of the proposed authority to do so. He agreed that it would take a long time to pay off the bonds, but there is renewed interest in toll roads and it is understood that they are large expenditures that take a long time to pay off. However, once they are paid off they tend to be quite lucrative.

SENATOR THERRIAULT referred to page 12, lines 1 through 5 and noted the activity would be exempt from local regulation. He asked what interaction would be required with local government.

COMMISSIONER BARTON said he asked that the legislation include a provision that consultation with the mayors of both Anchorage and the Mat-Su Borough be incorporated.

CHAIR COWDERY advised both mayors have been very supportive of the concept.

COMMISSIONER BARTON added the crossing would benefit the Alaska Railroad assuming the bridge was built to include rails.

SENATOR THERRIAULT noted page 5, lines 18 to 20 refers to coordination with the mayors of the Municipality of Anchorage and the Matanuska-Susitna Borough, but the last page says they wouldn't be able to use their local planning and zoning powers to obstruct the project.

SENATOR LINCOLN said there were recent [February 2003] articles in which Senator Ted Stevens spoke about operating a ferry and that he would secure funding. She asked where that idea lay within the overall concept of a bridge.

COMMISSIONER BARTON replied Senator Stevens is very supportive of the Knik Arm Crossing. He wasn't sure what happened to the ferry concept.

2:20 pm

SENATOR LINCOLN said she recalled discussion regarding commuter rail service to the Mat-Su and wondered if the railroad saw a downside to having the bridge or was this part of their plan.

COMMISSIONER BARTON replied the crossing concept did not begin at the railroad level and the bridge could be built to support the railroad or strictly as a highway structure. He couldn't say how

the crossing would impact their operation even though he sits on their board and knows they want to make the most efficient use of their staff and be able to deliver goods to and from Anchorage as quickly as possible. He thought the railroad was generally supportive of the bridge and didn't believe it would affect their commuter service from the Mat-Su area.

SENATOR LINCOLN asked if it was unusual that the board would be comprised of governor appointees in the form of two commissioners and one public member.

COMMISSIONER BARTON replied the Alaska Railroad and AIDEA Boards are appointed.

SENATOR LINCOLN pointed out those commissioners didn't comprise a controlling interest as they would in the proposed board.

CHAIR COWDERY said the board was not a fulltime board and once it was established, an executive director would be added to run the operation.

SENATOR LINCOLN stated for the record a board sets policy and the executive director works for the board.

SENATOR OLSON asked if there was any plan to redirect the railroad in that direction once the bridge is built.

CHAIR COWDERY said there is a study of the area from Palmer to Fort Mackenzie.

WENDY LINDSKOOG, director of external affairs for the Alaska Railroad Corporation, stated there are several studies she could cite: the City of Wasilla studied relocating the railroad around the city and the Mat-Su Borough is looking at bringing the railroad from the Houston area and tying into Port Mackenzie. Neither study was sponsored by the railroad, but they have been lending technical support.

If they were to tie into the Knik Arm Crossing they still believe there would be a need for the current line. Much of the gravel they haul comes from Palmer and they would continue to use that line. If the communities of Mat-Su Borough and Anchorage decided they wanted commuter rail service that would be another use for the current line.

She addressed Senator Lincoln's question to say they do support the crossing, but feel that if the bridge is built without rail the vision is short sighted in terms of making a most efficient railroad. Tying the railroad in with the crossing would enable

them to get to Fairbanks in twelve hours meaning no crew shift would be required. The current practice of trading crews in Healy is a huge expense.

CHAIR COWDERY noted Mr. Gamble had been to all meetings on the subject and was very supportive. He asked for the name of the commission on which he served.

MS. LINDSKOOG said it was the Regional Transportation Planning Organization and was a combination of members from the Mat-Su Borough and the municipality of Anchorage. She thought the Knik Arm Crossing was one of its highest priority projects.

2:30 pm

SENATOR LINCOLN asked how the infrastructure would be paid for and how that would impact general fund dollars.

COMMISSIONER BARTON said they anticipate most of the project to be financed with federal highway monies.

SENATOR LINCOLN asked about remarks made about opening up an area for an expanded community. Because this would entail building roads and water and sewer systems and schools and an entire infrastructure, she asked what that general fund impact would be and when the expenditures might start.

COMMISSIONER BARTON replied that sort of infrastructure expansion would evolve just as it has elsewhere. There would be additional demands, but the increased tax base would likely help meet the demand.

CHAIR COWDERY stated Anchorage developers put in sewer and water systems, pave the streets, and hope for reimbursement as a development goes forward.

SENATOR WAGONER noted the bill mentioned revenue bonds several times and he wondered whether they would be sold to come up with the state match for the federal funds Congressman Young was seeking.

COMMISSIONER BARTON replied they could be used for that purpose.

SENATOR WAGONER asked what kind of impact this project would have on the statewide highway program.

COMMISSIONER BARTON anticipated the crossing itself would result

from earmarked federal funds. The approach roads may have some impact on the highway program, but they hope to keep it to a minimum. He added there is \$8 billion in identified need in the state and progress is slow.

SENATOR THERRIAULT made a motion to move SB 213 and attached fiscal note to the Finance Committee.

SENATOR LINCOLN objected to the motion. She restated her position that this is a major piece of legislation and she objected to the committee pushing it through so quickly. There wasn't adequate time taken to evaluate the impacts and the public didn't have enough opportunity to comment.

CHAIR COWDERY called for a roll call. The motion passed with Senators Wagoner, Therriault, Olson and Chair Cowdery voting aye and Senator Lincoln voting nay.

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#HB 97

HB 97-LONG-TERM LEASES OF ALASKA RR LAND

VIC KOHRING, bill sponsor, explained the bill extends the lease of a piece of railroad leased land on Government Hill in Anchorage from 55 to 75 years. An Anchorage developer wants to build senior housing on the land and needs to have a 75 year lease to receive federal grant money. The railroad is only able to give him a 55 year lease, but HB 97 would provide legislative approval for the 20 year extension. It would authorize the railroad board to offer the extension at their discretion. He added there would be no state funds involved; HUD 202 grant money would be used.

CHAIR COWDERY said he understands the railroad couldn't extend the lease without legislative approval.

REPRESENTATIVE KOHRING agreed and added the developer must have the application in by June 13, 2003.

MARK MARLOW, contractor and facilitator for Alaska Franchise Facilities, testified via teleconference to say the lease on the property began in September 2002.

CHAIR COWDERY asked how much money the project would inject into the Anchorage economy.

MR. MARLOW said there would be a \$3.7 million grant for 20 units.

CHAIR COWDERY asked if it was true that the railroad could stop the project even if the Legislature granted them the authority to extend the lease.

MR. MARLOW said that was correct. The railroad board considered a resolution at the last meeting and authorized the extension of the lease subject to passage of HB 97 and the acquisition of the grant.

SENATOR GEORGIANNA LINCOLN remarked the committee heard the same legislation in SB 153 and asked if there was anything other than a title change and the upward limit that was different.

REPRESENTATIVE KOHRING said he didn't believe so.

SENATOR LINCOLN asked what the title meant when it referred to Alaska Railroad Contract No. 8371.

WENDY LINDSKOOG, director of external affairs for the Alaska Railroad Corporation, explained contract 8371 refers very specifically to the current lease the railroad has with Mr. Marlow and eliminates the need to list the legal description.

SENATOR THOMAS WAGONER asked what would happen to Mr. Marlow's lease if he weren't successful and is his lease predicated on the extension of time on the lease and this specific project.

MS. LINDSKOOG replied Mr. Marlow currently has a 55 year lease with the railroad and he would continue to have that lease whether the HUD financing comes through or not. The current lease document says multi-family housing units would be built so it would be that or senior housing.

SENATOR WAGONER said he remembers previous public complaint regarding the quality of housing. \$3.7 million for 20 units translates to \$185,000 per unit so you would expect the units to be quite nice.

SENATOR LINCOLN noted the committee heard from the Government Hill Community Council previously and they objected to the project. She asked if there was continuing objection now that changes had been made.

REPRESENTATIVE KOHRING replied there probably was continuing objection. He isn't sure what their objections are specifically, but if the developer doesn't get his federal grant he'll use the 55 year lease to build a different facility. That would likely result in a more dense type facility.

He noted the House passed a letter of intent to encourage the

parties to work together.

SENATOR LINCOLN applauded Representative Kohring for being one of the sponsors of the letter of intent.

SENATOR WAGONER motioned to move HB 97 am version \H.A from committee with individual recommendations. There being no objection, it was so ordered.

There being no further business to come before the committee, Chair Cowdery adjourned the meeting at 2:45 pm.