

SENATE FINANCE COMMITTEE
March 31, 2011
9:08 a.m.

[9:08:33 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:08 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Patrick Kemp, Deputy Commissioner, Highways and Public Facilities, Department of Transportation and Public Facilities; Laura Baker, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Al Clough, Project Manager, Roads to Resources, Department of Transportation and Public Facilities.

SUMMARY

^Department of Transportation Overview: Roads to Resources

[9:10:03 AM](#)

PATRICK KEMP, DEPUTY COMMISSIONER, HIGHWAYS AND PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, expressed that he felt that Laura Baker should discuss the capital budget requests, followed by Al Clough

present the need for the funding for the Roads to Resources projects.

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LAURA BAKER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, stated that the Department of Transportation and Public Facilities (DOT/PF) had three Roads to Resources projects in the FY 12 Capital Budget.

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Co-Chair Stedman stated that there was some concern with too many images in the Power Point and stressed the issue of focusing on financial concerns.

Ms. Baker stated that there was \$10.5 million requested for the Roads to Resources. She stressed that funding-stream for the three requests were from AIDEA dividend fund.

Ms. Baker referred slide 12 of the PowerPoint presentation, and stated that the reference number in the capital budget was 50844. She explained that the \$8 million dollar request for Foothills West was continuation funding and would allow the construction from the Dalton Highway to Umiat, which would continue in the multi-phased approach for the design and up-front process for the project.

Senator Ellis requested information about what companies are supporting these projects. He mentioned that some of his constituents called this project "Corporate Welfare." Ms. Baker replied that Mr. Klaugh would provide more information.

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Co-Chair Stedman recommended a specific explanation of the Roads to Resources project. Ms. Baker replied that she would continue, and touch on some historical information.

Ms. Baker discussed the Ambler mining district on slide 14 and slide 15, which was a request for \$1.25 million. She stated that the purpose for the project was to provide all-season access for exploration and development of potential resources. The requested funds would help in the evaluation

of the transportation modes in that area to provide additional roads to the resource areas.

Ms. Baker discussed the Western Access Project: \$1.25 million. She explained that the funds would continue the development of the planning of the transportation corridor connecting the existing road system with the Nome-area road system. She

Ms. Baker referred to the document "Roads to Resources Historical Funding/Expenditures" (copy on file). She pointed out that in FY 2004; DOT/PF received a state-appropriation of \$5 million for industrial development roads, which had been spent on a number of road development projects. She explained in FY 2005, DOT/PF received an industrial road program appropriation for \$17 million. She pointed out that only \$8 million was received, because the \$9 million in federal funds did not apply. She stated that \$8 million had been spent on many different transportation projects.

Co-Chair Stedman wondered if the \$9 million that was included in the \$17 million, simply did not exist. Ms. Baker affirmed that the \$9 million was not received.

Ms. Baker looked at FY 2006, and pointed out the language section of the bill allocated a number of projects, but the industrial roads section identified a \$3 million allocation for the industrial roads, and \$4 million for the North Slope Foothills West Road EIS. She furthered that that the language section also allowed for some re-allocation among the projects. She stressed that department had spent \$6 million, with \$71,000 leftover.

[9:18:26 AM](#)

Co-Chair Hoffman requested an estimate of the success of the development of the projects since 2003. Ms. Baker replied that Mr. Kemp could provide more information.

Co-Chair Stedman stressed that there was an issue about whether the Roads to Resources program was too shattered. He felt that the purpose of the presentation was to determine whether there needed to be a greater focus on important projects. Ms. Baker remarked that in recent years there was a focus on individual projects, rather than one appropriation going to multiple projects. She pointed out

that some projects were under a prior administration, so there had been a change in focus.

Ms. Baker looked at the 2008 legislative session, and stated that DOT/PF received \$3 million in state funds, and there was currently \$1.9 million left. She explained that \$1 million was used for the Acutan airport access road project.

Ms. Baker referred to an item from the 2010 session, with money for the Ambler Mining Project for planning, design, and engineering. She continued to discuss the historical projects. She stated that the bottom of the chart displayed the \$10.5 million request for the FY 2012 budget.

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Mr. Kemp wondered if he should present details of the project requests. Co-Chair Stedman replied that the focus should be about the process, selection, and total cost of Roads to Resources. He wanted to know the integration of the industry on the projects.

Mr. Kemp explained that he had done extensive research about how the money was requested, and his position was to determine whether the projects were appropriate. He felt that the history of capital budget requests used a region or entity that asked certain funding for a project. He stated that projects usually took a signature of a deputy commissioner to approve that funding. He felt most projects were worth-while, but DOT/PF did not keep track of projects accurately. He stressed that DOT/PF would focus on capital projects and the Resources Road Decision Matrix (slide 6 of the PowerPoint Presentation).

Co-Chair Stedman wondered if there was a desire to look at former projects. Mr. Kemp replied that there probably would not be a revisiting of past projects, but stressed that the three proposed projects are the most important.

Co-Chair Stedman stressed that there needed to be a focused conversation about each Road to Resources projects, and whether or not they were economic, and how the funding would be used. Mr. Kemp replied that DOT/F was planning of focusing on the cheapest access to the resource. He stressed that the roadway would be considered an industrial highway.

Co-Chair Stedman wondered at what point the legislature would get engaged to determine the impact on the budget. Mr. Kemp replied that it was the intent to evaluate the projects. He stressed that they were not a resource development agency.

[9:29:50 AM](#)

Co-Chair Stedman felt there was a challenge with the road to Nome, and mentioned that he felt the overall cost might be \$1 billion. Mr. Kemp stated that they were planning on using the Alaska Highway model, and hoped to bring up to standard over the next 50 to 60 years. He stated that the \$1 billion referred to a complete finished highway.

Co-Chair Hoffman looked at 2014 on page 11 of the Project Review Listing of the FY 2012 Governor amended budget (copy on file). Mr. Kemp stressed that it was a work in progress.

Senator Thomas stressed that he supported the Roads to Resources, and mentioned that there were possibly two roads to Nome considered. He pointed that there were a variety of minerals, and felt that the roads should be directed towards active companies. He felt that there were many mining companies near Fairbanks that needed roads, and wondered why there was not a focus on those operating successful business.

[9:38:23 AM](#)

Co-Chair Stedman understood that there was a change in direction in the administration, so there was a shift in focus.

AL CLOUGH, PROJECT MANAGER, ROADS TO RESOURCES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, answered Senator Thomas's question, and stressed that the developer that refused involvement with the state.

Co-Chair Hoffman wondered if there was any reason why the Donlin Creek officials did not want to work with the state of Alaska. Mr. Clough replied that their reason was to not have government as a partner.

Co-Chair Hoffman wondered if there was pool of reserves was estimated in Donlin Creek and wondered if the value was in

the billions. Mr. Clough replied that he did not know the value.

Co-Chair Hoffman stressed that the knowledge of the value of some of the proven reserves was necessary in determining the impact of the projects.

Co-Chair Stedman stressed that there was a struggle in determining the importance and selection of each project. Mr. Clough agreed, and reinforced that he was new at the job.

[9:44:12 AM](#)

Co-Chair Stedman He referred to possible columns added to the matrix when determining the importance of the proposed projects. Mr. Clough replied that in the past, projects may have seemed meritorious, but it was fundamentally unclear as to how they were derived at. He stressed that the matrix was not intended to be the definitive decision tool, but merely presented as an example that there needs to be a detailed decision process.

Co-Chair Stedman stressed that it was the interest of the committee to determine the impact over so many years regarding the financial impact. He stressed that there were several billion dollars of projects outside the Roads to Resources. He referred to many very expensive projects. He stressed that the committee was very cautious when committing to large projects.

Mr. Kemp stressed that the process and the environmental impact statement would "flush out the details" of why a road was built. He mentioned that the roads were not built without justification.

[9:51:15 AM](#)

Co-Chair Stedman wondered if they were too early in the appropriation cycle to determine the value of the projects. Mr. Kemp responded that he was confident in the request, and felt the requests were not made too early.

Co-Chair Hoffman noticed that was no delineation of private lands and considerations of native programs. He queried how much was allocated for the right-of-way acquisition. Mr. Kemp agreed to provide that information.

Co-Chair Hoffman wondered what time of process and time frame would be needed to go through fish and wildlife lands. Mr. Kemp replied that the lead agency was the Corps of Engineers, and stressed that their staff could provide that information.

Co-Chair Stedman stated that the concern about fish and wildlife lands was a concern for all roads.

[9:56:15 AM](#)

Senator Thomas referred to the Great Bear project, and noted that their development was right at the end of the haul-road on leased land at Prudhoe Bay. He stressed that the legislature could help them by building a mile or two more of road. Mr. Kemp responded that any project could be nominated.

Mr. Clough detailed the Ambler mining district project on pages 13 and 14 of the PowerPoint Presentation. Mr. Clough stated that it was a project, and there needed to be underground arctic tunnels.

Co-Chair Stedman stated that the Ambler project would be \$5.25 million after the current capital request.

[10:06:32 AM](#)

Senator Olson mentioned that there was a multitude of questions, and wondered if he should wait.

Co-Chair Stedman encouraged the questions.

Senator Olson mentioned that his issues dealt with Umiat and Nome road. Co-Chair Stedman encouraged the questions.

[10:07:48 AM](#)

Senator Olson wondered how lease issues would be avoided when developing the roads. Mr. Kemp replied that those issues should be flushed out when considering the projects. He stated that the environmental impact study would provide more information.

Senator Olson felt that the department was not doing their homework when determining the perspective of the boroughs

Mr. Kemp replied that there had been a solicitation from communities of agencies.

[10:15:54 AM](#)

Senator Olson wondered if the projects would go through the project evaluation board. Mr. Kemp replied that the Roads to Resources program did not have a project evaluation board.

Senator Olson requested permission to provide a list of questions to the committee.

[10:17:29 AM](#)

Co-Chair Stedman noted that the state received \$29.7 million in the FY 2010 mining tax, which was 25 percent of DOT/PF's capital budget in FY 2012. He pointed out that the legislature was facing a conversation regarding a mining tax adjustment. He stressed a good working relationship between the industry and the state to develop some of the infrastructure. He wondered if DOT/PF would come forward with a flushed out process of the ranking and analysis in December. Mr. Kemp replied that DOT/PF could provide a list of future potential projects by the following legislative session.

[10:19:19 AM](#)

Co-Chair Stedman stressed that there would be further discussion about the projects before they move forward. Senator Olson stated that hearings needed to be held in those communities to determine their desire for the projects.

[10:20:30 AM](#)

Mr. Kemp replied that public meetings had been held on the projects, and felt that most of the meetings were positive towards road construction. He mentioned that the support might be because of the state of the economy.

Senator Olson wondered if there was a public meeting held in every possible affected community. Mr. Kemp agreed to provide detailed information.

[10:22:01 AM](#)

Senator Thomas referred to page 15 of the presentation, but questioned that there could be too many ambitions with one projects. He continued that there should be a focus on what is the best project. He encouraged more communication between DOT/PF and DNR.

Co-Chair Stedman wondered if there were any more issues DOT/PF would like to address in the meeting. Mr. Kemp clarified that on page 15 the routes were corridors. He stated that the public involvement process and preliminary engineering would determine that the alignment be route 2.

[10:30:11 AM](#)

Mr. Clough continued to discuss the Umat project.

Co-Chair Stedman wondered if there would be an exclusion of some of the projects, with a construction ranking. Mr. Clough stated that there was a gathering of information for potential natural resource development throughout the state. He stated that there would be internal business done, to provide more detail.

[10:34:03 AM](#)

Co-Chair Hoffman referred to the pages on the historical expenditures and wondered how the amounts were being spent that was represented as encumbered. Mr. Kemp replied to provide that information.

Co-Chair Stedman requested that information be provided expeditiously.

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ADJOURNMENT

[10:36:04 AM](#)

The meeting was adjourned at 10:36 AM.