

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE TRANSPORTATION STANDING COMMITTEE
SENATE TRANSPORTATION STANDING COMMITTEE**

February 1, 2011

1:01 p.m.

MEMBERS PRESENT

HOUSE TRANSPORTATION

Representative Peggy Wilson, Chair
Representative Lance Pruitt, Vice Chair
Representative Eric Feige
Representative Cathy Engstrom Munoz
Representative Max Gruenberg
Representative Pete Petersen

SENATE TRANSPORTATION

Senator Albert Kookesh, Chair
Senator Joe Thomas, Vice Chair
Senator Dennis Egan
Senator Linda Menard
Senator Charlie Huggins

MEMBERS ABSENT

HOUSE TRANSPORTATION

Representative Craig Johnson

COMMITTEE CALENDAR

PRESENTATIONS(S): KNIK ARM BRIDGE & TOLL AUTHORITY

- HEARD

ALASKA MOBILITY COALITION

- HEARD

PORT MACKENZIE RAIL EXTENSION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MICHAEL FOSTER, P.E., Chair

Knik Arm Bridge & Toll Authority (KABATA)

Anchorage, Alaska

POSITION STATEMENT: Presented an overview of the Knik Arm Bridge & Toll Authority (KABATA).

KEVIN HEMENWAY, Chief Financial Officer

Knik Arm Bridge & Toll Authority (KABATA)

Anchorage, Alaska

POSITION STATEMENT: Presented and answered questions during an overview of the Knik Arm Bridge & Toll Authority (KABATA).

DAVID LEVY, Executive Director

Alaska Mobility Coalition

Anchorage, Alaska

POSITION STATEMENT: Presented a PowerPoint Overview of the Alaska Mobility Coalition (AMC).

JENNIFER BECKMANN, President, Alaska Mobility Coalition;

Executive Director, Central Area Rural Transit

Soldotna, Alaska

POSITION STATEMENT: Testified during the Alaska Mobility Coalition's presentation.

BILL HERMAN, Senior Trust Program Officer

Alaska Mental Health Trust Authority (AMHTA);

Member, Governor's Coordinated Transportation Task Force (GCTTF)

Anchorage, Alaska

POSITION STATEMENT: Testified during the Alaska Mobility Coalition's presentation.

MILLIE RYAN, Executive Director

Governor's Council on Disabilities and Special Education

Anchorage, Alaska

POSITION STATEMENT: Testified during the Alaska Mobility Coalition's presentation.

JEFF OTTESEN, Chair

Governor's Coordinated Transportation Task Force (GCTTF);

Director, Division of Program Development

Department of Transportation & Public Facilities (DOT&PF)

Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the Alaska Mobility Coalition's presentation.

ELIZABETH GRAY, Acting Borough Manager
Matanuska-Susitna Borough (MSB)
Palmer, Alaska

POSITION STATEMENT: Testified during the presentation on the Port MacKenzie Rail Extension (PMRE).

RICK MYSTROM, Economic Development Advisor
Matanuska-Susitna Borough (MSB)
Anchorage, Alaska

POSITION STATEMENT: Testified during the presentation on the Port MacKenzie Rail Extension (PMRE).

JOE PERKINS, Executive Project Manager
Port MacKenzie Rail Extension (PMRE)
Juneau, Alaska

POSITION STATEMENT: Testified during the presentation on the Port MacKenzie Rail Extension (PMRE).

ACTION NARRATIVE

[1:01:37 PM](#)

CHAIR PEGGY WILSON called the joint meeting of the House and Senate Transportation Standing Committees to order at 1:01 p.m. Present at the call to order from the Senate were Senators Kookesh, Huggins, Menard, Thomas, and Egan. Present at the call to order from the House Transportation Standing Committee were Representatives P. Wilson and Feige. Representative Petersen, Gruenberg, Munoz and Pruitt arrived as the meeting was in progress.

PRESENTATION(S): KNIK ARM BRIDGE & TOLL AUTHORITY

[1:01:48 PM](#)

CHAIR P. WILSON announced that the first order of business would be a presentation by the Knik Arm Bridge & Toll Authority (KABATA).

[1:04:09 PM](#)

MICHAEL FOSTER, P.E., Chair, Knik Arm Bridge & Toll Authority (KABATA), began by introducing the Knik Arm Bridge & Toll Authority's (KABATA) Chief Financial Officer, Kevin P. Hemenway.

He remarked on two milestone events, which were a no jeopardy determination related to the impacts of this project on the Beluga whales; and the record of decision from the Federal Highway Administration (FHWA) in mid-December with a build alternative. He characterized the record of decision as basically the authority to proceed with the project.

[1:05:38 PM](#)

MR. FOSTER turned to his presentation on the Knik Arm Toll Bridge. He asked why the Knik Arm toll bridge is good for Alaska [slide 2]. He answered that this bridge would connect Alaska's infrastructure, supports resource development, provide jobs and support economic growth, and create an alternative corridor for safety. Currently, the Glenn Highway is the only traffic corridor north of Anchorage and this would provide a second corridor. Additionally, the toll bridge would help fund future statewide transportation needs since toll revenue could be used for any Title 23 project, ranging from Ketchikan to marine highway needs or for airports.

[1:06:24 PM](#)

MR. FOSTER described the immediate benefits [slide 3], which he characterized as a true economic stimulus. This is a public/private partnership, he stated. The capital will be "put up" by a private party investor, resulting in a partnership between the state and this investor, with the construction funds supplied by the private sector. He related that the project represents about \$700 million in infrastructure and would result in 5,000 construction-related jobs. It will take about three to four years to complete the project and about 10,000 people can rely on this project for their jobs, he added. The public benefits include \$326 million in cost savings on lower cost of freight shipped from the Port of Anchorage to the Interior in the next ten years. This figure represents labor and fuel savings, but not capitalization of assets so the total savings could be larger. He also estimated savings of \$303 million to commuters in fuel and time savings. He related fuel savings alone are estimated at \$150,000.

[1:08:17 PM](#)

MR. FOSTER pointed out that the state's new correctional facility is located approximately 75 miles from the court facility in Anchorage, but once the bridge is in place the total trip mileage would be reduced to 12 miles. He projected an

overall reduction of 1,900,000 fewer metric tons of carbon emissions. He also projected \$30 million savings associated with the Goose Creek Correctional Center for staff and vendor supplier's transportation, but the savings noted does not include visitor transportation costs. Additionally, as previously stated, the bridge would provide an alternative to Glenn Highway for safety, pointed out current routine monthly closures and weekly delays are encountered. The project would connect the Port of Anchorage and Port MacKenzie to better serve the state and also would tie together the state's transportation network.

MR. FOSTER referred to the base case traffic forecast, which he said was derived from several sources, including consulting with a third party consultant, the DOT&PF's traffic review, and the FHWA's oversight. He related the forecast assumes bridge completion in 2015 and the toll opening [slide 4].

[1:09:33 PM](#)

MR. FOSTER characterized the model as a fair representation. He explained the red portion of the graph represents the commercial use, while the blue portion represents commuters. He pointed out the flat portion indicates when the bridge would reach maximum capacity. He said that while additional traffic volumes could be accommodated adding additional traffic volumes risk overloading the system. He indicated when that happens, as it has occurred on the Glenn Highway and other highways, the extra traffic "just chokes it."

[1:10:15 PM](#)

MR. FOSTER estimated the projected toll authority [slide 5]. He related toll gross revenue earnings are anticipated at \$12.1 billion over a 60-year time period, based on the projected 2015 opening of the toll road.

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MR. FOSTER detailed the toll facility revenue as a "waterfall" flow of funds [slide 6]. He explained that the private/public partnership is based on an availability fee payment structure. His analogy was that it was like building a high-rise building. In the initial year, the lease payment and availability payments would be made while the gross revenue would pay the private partner, followed by KABATA recovering operating costs, reserve, replenishment, project improvements, other transportation needs.

He explained reserve replenishment is revenue that rolls back into the state and can be used for Title 23 services. He anticipated that by approximately 10 years into the project, the Ingra/Gambell connection would be built from project funds. The bridge is a four-lane structure, but the initial deck would consist of two lanes and as traffic demands the deck would be expanded to a four-lane structure, which is why embankments and other components are being built to accommodate four lanes.

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MR. FOSTER discussed the projected net revenue [slide 7]. The blue on the graph represents the operating cost, the green represents toll net revenue, or profit, and red represents the availability payment. The chart figures are based on a 35 year private/public partnership model. The blue represents the operating cost of the facility after the post-concession contractual arrangement is completed. While the contractual arrangement could continue, the model is based on the first 35 years, he said. The revenue, depicted in green, indicates \$8 billion in net revenue over 60 years, which would be available to use for other transportation needs. The blue represents the funds for operation and maintenance improvements, as well as for any expansions required.

[1:13:49 PM](#)

MR. FOSTER turned to a photo of the proposed crossing [slide 7] and explained that questions have been raised about the location of the crossing. He characterized the selected crossing spot as the ideal location due to air space constraints at Elmendorf Air Force Base. The crossing also represents a good location geologically, noting that the bridge structure would be set on consolidated till and not on clay or mud.

MR. FOSTER explained the bathymetry and tides [slide 9]. He then played an animated slide which discussed the view. The crossing would span 14,000 feet, with the proposed bridge comprised of 8,200 feet, and embankments would total 6,000 feet of embankment, including both sides of the span.

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MR. FOSTER provided a view of the project during the late season 1 [slide 10]. He explained that the U.S. Coast Guard requires bridge clearance at high tide to equal 50 feet of clearance. He

remarked that the clearance at low tide ranges from 75 to 80 feet depending on tides.

MR. FOSTER discussed the oscillated drilled shaft operation [slide 11]. He described the operation, relating its low impact compared to the driven pile method. He remarked that the state recently used this system on the Tanana River crossing on the Tok Highway.

MR. FOSTER showed a photo slide which showed the proposed project late in season 2, and he pointed out some of the piles and caps mid-span [slide 12].

[1:16:39 PM](#)

MR. FOSTER showed an animated photo slide that depicted the foundation wrap up for season 2. He related that the foundation is shown in place in this slide but is awaiting the deck placement. The proposed plan also includes pedestrian and bicycle lanes [slide 13].

MR. FOSTER reiterated the final bridge is planned as a 14,000 foot crossing. He played an animated slide that depicted the future, four-lane Knik Arm Crossing [slide 14]. He described the property and alignment of the port expansion.

[1:18:45 PM](#)

REPRESENTATIVE PETERSEN asked for projected toll amount and for the number of years before the project would "break even."

MR. FOSTER answered that the initial toll is based on a fee amount of \$5 each way per passenger, while the semi-tractor fee would be based on the number of axles or weight. He projected that by year three the toll revenue would exceed the toll revenue requirements. He anticipated that the requested reserve fund request would cover costs during the initial years.

REPRESENTATIVE PETERSEN asked how KABATA plans to convince Government Hill residents to allow the plan to move forward. He recalled public comments were largely in opposition to the project.

MR. FOSTER responded that initially the port project included plans for an open cut, but the plan was changed to add "a lid" with a greenbelt on top. He elaborated that the Government Hill portion requires three properties in order to proceed. He

offered his belief that at the end of the project, although he was uncertain what residents will think, the impacts are significantly minimized, and would include a cut with buried tunnel and a greenbelt on top of it.

SENATOR MENARD recalled the engineering work Mr. Foster did at Red Dog Mine, which she said is the largest zinc mine in the world. She commended his lead engineering work. She mentioned that the KABATA is currently working on a bill which will contain the reserve fund request.

[1:21:35 PM](#)

MR. FOSTER acknowledged that Senator Menard and Representative Neuman will introduce the bill for the reserve fund. He said that if the reserve fund bill passes, the project would have funding for the initial years for the availability payments. Additional funds would not be necessary for the first five or six years. He explained that the toll revenue would repay the fund at about year three. Within the first five or six years, and money taken from the fund would be completely repaid and excess revenue, as previously stated, would be deposited into the fund for Title 23 services statewide. He stressed that the reserve fund is required in order for KABATA's private partner to demonstrate the ability to make availability payments, when "things are tight."

[1:23:32 PM](#)

KEVIN HEMENWAY, Chief Financial Officer, Knik Arm Bridge & Toll Authority (KABATA), explained the main purpose of the reserve fund is to enhance the credit for the project, which would allow the private sector to make a lower availability payment bid. The bids will be the lowest availability payment between the competing parties. The objective is to obtain the most value for the public and citizens of Alaska from the transaction. He related his background includes a 30-year career in the private sector in public accountancy as well as having served as the chief financial officer of two publicly traded corporations, including Alaska Communications Systems. He related that in 1999 he came to Alaska and has since completed several billion dollars in transactions. He offered his belief that the project is necessary in Alaska and he would like his children to come back and have the same opportunities afforded him.

[1:24:43 PM](#)

CHAIR P. WILSON asked whether the figure for the fund is known, or if ongoing financial requests will be necessary.

MR. HEMENWAY explained the importance to demonstrate to the private sector that funds have been appropriated. He described the other piece is that if the fund drops below certain level, determined by contractual procurement, it would be necessary to replenish the fund with additional appropriations. He further explained this represents a standard backstop credit enhancement. He described the advantage, referring back to the graphics that showed the availability payments, and the lower level of operating costs once the state takes it over. Using the reserve fund means the state can get the transaction at a lower cost of capital and could take full ownership at year 35 instead of 50 to 60 years out, which is how long it would probably take without some type of credit enhancement. Otherwise, the private sector would have a higher cost of capital, a higher borrowing rate, and higher equity expectation, he said.

[1:26:18 PM](#)

REPRESENTATIVE FEIGE referred back to the slide of the planned project and inquired as to whether the engineers have considered the depositional characteristics, given the tremendous tidal flow in the area. He pointed out the two abutments on either end of the bridge would project out into the water flow of Knik Arm. He expressed concern that given the high sediment flow that deposition would occur. He further wondered how this might affect the dredging requirements at Port MacKenzie and the ability of ships to maneuver. He pointed out that the shoal is already encroaching on the Port of Anchorage, which he surmised may have been affected by the construction of Port MacKenzie.

MR. HEMENWAY responded that the U.S. Corps of Engineers has developed a model of Cook Inlet. He advised members that KABATA's staff has been studying effects on this structure due to the expansion at both ports. He speculated the possibility that the total bridge span may increase to minimize deposition, but stated KABATA is still in the process of modeling and fine tuning with respect to engineering. He reported the model KABATA ran three months ago showed that the bridge would not have an impact on either port. He commented that the Municipality of Anchorage (MOA) and the Matanuska-Susitna Borough (MSB) have also expressed concern whether this project would require additional dredging needs. The National Marine Fisheries Service (NMFS) requested KABATA also consider possible expansion of the bridge structure and reducing the overall fill.

Currently the KABATA has been weighing all parameters, from an engineering perspective to optimize design to mitigate impacts to Beluga whales and sediment deposits or additional dredging concerns, he said.

1:28:49 PM

SENATOR THOMAS asked for clarification on how the public/private partnership would work. He related his understanding of the necessity for up-front funding. He said he does not object to the state taking a lead in funding. He related that in his experience, costs are usually underestimated and benefits are overestimated. He expressed interest in knowing how any overrun costs would affect the partnership and who would cover those costs. Additionally, he asked for the reason for increased traffic flow and whether it would be due to people become more interested in the crossing or if projections are based on population estimates over a 25-year period.

1:30:40 PM

MR. HEMENWAY explained how the public/private partnership would operate. He highlighted that the state would retain ownership of toll revenue, which would be used to make availability payments to the private partner. The procurement is the minimum availability payment in an otherwise compliant proposal, he related. The project functions that the private partner would carry out would be to design, build, finance, and maintain the facility over the term of the concession to certain performance standards, which would be contractually set. One performance standard criteria used was the requirement to build to technical specifications and includes operating and maintenance costs for the structures. The vast majority of the construction related risk would be "laid off" contractually to the private partner, he said. The constructability reviews indicate a three to four year construction phase. However, penalty provisions would be imposed on the availability payment if the project were to be delayed or the roadway was not built to standards. The bid proposal is based on the maximum availability payment, assuming the partner meets its contractual obligations. At the end of the term, provisions will include "hand back" requirements, which outline the requirements for the condition of the facility. These provisions are typically anticipated at an 80 percent for a new, well maintained-level facility, he stated. Additionally, since the partner will be motivated by profit, the partner will work to be very efficient, he stated. The contractual performance standards set the construction standards

and indicate how the facility will be operated and maintained. Certain kinds of risk are not "laid off" such as archaeo paleo costs, but typically cost overrun with respect to the partner's subcontractor are "laid" onto the private partner, unless it is caused by KABATA or the state.

[1:32:59 PM](#)

MR. HEMENWAY offered that a number of components comprise the traffic and revenue study. The KABATA hired Wilbur Smith Associates, which was selected because it is one of the best firms in the industry. Of the 20 "green" field or start-up toll roads completed in the last 10 years, this firm has averaged 96 percent of the "base case" traffic. He remarked the company has been highly accurate. He noted only one of its projects fell below 75 percent of the "base case" traffic. Wilbur Smith Associates has conducted an investment grade traffic and toll revenue study, which rating agencies on Wall Street use to determine whether to invest in a project. He characterized this study as a high quality, high level traffic and revenue study. The study is also updated periodically for population growth. A number of population studies also indicate the region will have a population growth of 150,000 to 250,000 over the next 20 years. The main public policy case for this project is to accommodate population growth in the region as well as the movement of freight and to open up economic opportunities in the state.

[1:34:42 PM](#)

REPRESENTATIVE PETERSEN recalled that KABATA was created with federal funds. He asked how much funding remains.

MR. FOSTER answered that approximately \$65 million remains of the roughly \$200 million in federal appropriations made to KABATA. He reported that Governor Murkowski reappropriated about \$100 million to other projects. He anticipated the remaining funds should be "more than enough" to pay for the final permits, solicitation for a public/private partner, and for KABATA's operating costs. The reserve fund's purpose is to provide availability and not for KABATA's operating costs.

[1:35:40 PM](#)

MR. FOSTER, in response to Chair P. Wilson, stated that KABATA has requested \$150 million from the legislature.

[1:36:07 PM](#)

The committee took an at-ease from 1:36 p.m. to 1:37 p.m.

PRESENTATION(S): ALASKA MOBILITY COALITION

[1:37:45 PM](#)

CHAIR P. WILSON announced that the next order of business would be a presentation by the Alaska Mobility Coalition.

[1:38:00 PM](#)

DAVID LEVY, Executive Director, Alaska Mobility Coalition (AMC), began by introducing Jennifer Beckmann as the AMC Board of Director's president and the executive director of Central Area Rural Transit.

MR. LEVY related he would speak about the AMC, including its public awareness campaign, its statewide issues, and its two legislative priorities [slide 2].

[1:40:03 PM](#)

MR. LEVY reviewed the AMC's mission statement, which he stated as achieving mobility through community appropriate transportation services. Since 2002, the AMC has been a private not-for-profit membership organization that represents and advocates for public and community transportation statewide [slide 3]. The AMC provides weekly updates, a monthly newsletter, an annual report as well as maintaining the AMC's website and its Facebook page [slide 4].

MR. LEVY referred to the list of AMC's membership, relating that it has nearly 100 member organizations in the state [slides 5-6].

[1:41:25 PM](#)

MR. LEVY reported on the AMC's public awareness campaign, which began last year [slide 7]. One of its goals has been to put a human face to public and community transportation in Alaska. This slide depicts newspaper advertisements that it ran in Anchorage, Fairbanks and the Kenai Peninsula. The transportation system provides seven million rides statewide. He characterized each ride as a story. He described several "stories" of reasons passengers use public transportation

including an isolated senior who wants to go to the senior center to play bingo, a newly employed person who needs to ride to work, or a mom who needs to transport her kids to daycare. He identified the website address as www.goodgoingalaska.com for members to find additional information about AMC. He mentioned the bus advertisements (ads) the AMC has placed in buses stress the importance of public transportation and show how public transportation helps people live independently [slide 8].

MR. LEVY also mentioned the series of radio advertising AMC ran, which used local people to talk about their stories and highlighted reasons people have for using buses, including to attend local events and commute to and from the Matanuska-Susitna Valley to Anchorage [slide 9].

[1:43:59 PM](#)

MR. LEVY highlighted the two legislative priorities the AMC supports [slides 10-11]. He reported that HB 131 was introduced last week, which would create the Alaska Community and Public Advisory Board to provide a specific role for the state with respect to public transportation. He noted the photo in slide 11 is of the new Juneau Transit Center. He commended the City and Borough of Juneau (CBJ) in its efforts to better provide and coordinate transportation. He stressed the importance of public and community transportation. The second bill would create a State Partnership in Public Transportation in Alaska, and he thanked Senator Kookesh for his efforts taken on this bill. Alaska is one of three states that does not provide operating funds for public transportation so the burden has fallen on local communities to do so, ranging from local government to tribal investments, but not the state of Alaska. He related his understanding this bill would be introduced shortly and urged members to support it.

[1:47:37 PM](#)

JENNIFER BECKMANN, President, Alaska Mobility Coalition; and Executive Director, Central Area Rural Transit, echoed Mr. Levy's sentiments on transportation needs. She asked to speak primarily on behalf of the Central Area Rural Transit (CART), which provides 60,000 public transportation rides per year serving the central Kenai Peninsula. The majority of its passengers travel to work or medical appointments or other support services or for shopping or recreational needs and activities. She concurred with Mr. Levy, stressing the organization would also like the state play an active role since

the services are needed ones, that CART serves clients have no other options to rely on for a ride. She urged members to invest in public transportation.

1:49:03 PM

The committee took an at-ease from 1:49 p.m. to 1:50 p.m.

1:50:15 PM

BILL HERMAN, Senior Trust Program Officer, Alaska Mental Health Trust Authority (AMHTA); and Member, Governor's Coordinated Transportation Task Force (GCTTF), stated that the Alaska Mental Health Trust Authority (AMHTA) has been working on coordinated transportation needs since the trust was formulated in 1985. Each year the AMHTA has advocacy summits and the two topics as prime topics to coalesce groups that represent the beneficiaries was MEDICAID issue and the other is the coordination of transportation issues, which remains one of the AMHTA's high priorities. He commented that he also serves as the trust designee on the Governor's Coordinated Transportation Task Force (GCTTF). He expressed his excitement the governor is interested in finding efficiencies that coordination of services provides. Since 1996, the AMHTA has been working to coordinate transportation services for a wide variety of agencies in various communities that offer transportation to clients. The AMHTA helps providers coalesce around coordinated system and pool vans to provide better and efficient use. He characterized this as a "win-win" situation. In 2009, the AMC surveyed Alaskans and found 94 percent supported pooling transportation services. He offered his belief that the GCTTF can examine state government transportation funding streams to find efficiencies for combined rides and funding sources.

1:53:02 PM

MR. HERMAN reported that AMHTA beneficiaries represent five to eight percent of Alaskans, including the mentally ill, the developmentally disabled, those suffering from Alzheimer's disease and related dementia, and chronic alcoholism. He said that public transportation has been the key means this group uses to get to work, to travel to meet their health care needs, and to provide hope in their lives. He estimated, in conjunction with Department of Transportation & Public Facilities (DOT&PF)'s assistance, trust beneficiaries represent approximately 46 percent of the ridership in all transportation systems. In the past 15 years, the AMHTA has provided \$5

million in capital funding, which has been matched with some state general fund. He pointed out the AMHTA works to use its funds as a catalyst for change rather than to achieve base operating budget costs. Often, AMHTA funds are used to match federal transit dollars. Finally, he estimated that the 46 percent mobility users represent about seven million rides, which benefits a large number of residents statewide. He further estimated trust beneficiaries take 3.2 million rides alone. He strongly supported the operating subsidy currently being considered.

[1:55:06 PM](#)

MILLIE RYAN, Executive Director, Governor's Council on Disabilities and Special Education, Anchorage, Alaska, related she is one of the founding members of the Alaska Mobility Coalition (AMC). She stated she serves as its executive director and offered reasons the Governor's Council on Disabilities and Special Education is interested in public transportation. She related when the council has conducted surveys or during its public comment period, that people have reported they find it hard to get to work, to medical appointments, and become part of the community. Many people end up lonely and isolated she said. She reported that the 2010 Harris poll, which is conducted annually, found huge gaps between people with disabilities and people without disabilities, including transportation. Additionally, the Transportation Equity Network conducted a study, which indicates that transportation is an economic driver, since it not only provides a means for people to get to work, but affords them opportunities to get to other places such as to stores for shopping. She reported that studies show approximately \$6 in economic benefit is returned for every dollar spent on public transportation. She offered the Governor's Council on Disabilities and Special Education support for the creation of a sustainable state transportation trust fund. She thanked Senator Thomas and Representative P. Wilson for introducing bills to accomplish this. She concluded that the council believes this will offer a sustainable source of funds for operation. She reported that a number of different sources are available for capital outlay for transportation needs, but a source of funds to operate the vehicles is also necessary.

[1:57:14 PM](#)

JEFF OTTESEN, Chair, Governor's Coordinated Transportation Task Force (GCTTF); Director, Division of Program Development,

Department of Transportation & Public Facilities (DOT&PF), stated that he was speaking today as the Chair of the Governor's Coordinated Transportation Task Force (GCTTF). The rural transit program that Department of Transportation & Public Facilities (DOT&PF) administers for the state is under his purview. He said that today he is "wearing a separate hat." He reported that last February he presented the GCTTF's findings to this committee. Last July, Governor Parnell reappointed the GCTTF, added additional task force members, and assigned the GCTTF additional tasks. He reported that currently the GCTTF is comprised of a 12-member task force, with an additional four members serving as ex officio non-voting members. He introduced some of the GCTTF's staff; Marsha Bracke, the GCTTF's facilitator, and J. Eric Taylor of his staff. Additionally, he mentioned members, Bill Herman and Jennifer Beckmann, who previously testified, and Camille Ferguson, who represents the Sitka Tribe of Alaska.

[1:59:18 PM](#)

MR. OTTESEN commented that various not-for-profit organizations and other organizations that provide transit service should work in unison and in concert to reduce the number of vans on highways carrying a fraction of people who need transportation. Currently, seniors are not authorized to ride in vans for the disabled, which is one policy that needs to be changed. He reported that former President George W. Bush signed an executive order requiring coordination among federal agencies. He mentioned that 60 different types of transportation funding support the federal agencies. He pointed out that some of this funding has been transferred to state government, which is tasked with coordination of services. The GCTTF's goal is to provide services more efficiently. He related a scenario, which described an instance describing issues that affect some disabled rural Alaskans who arrive in Alaska's cities and cannot acquire transportation to accommodate wheelchairs. Sometimes the disabled person has had to use an ambulance to get to a medical appointment. He remarked that the cost to use emergency vehicles is alarming. He commented that Alaska has one of the fastest growing senior populations in the nation. Many people arrived here in the 1970s and are now reaching senior citizen ages. Additionally, Alaska has one of the highest per capita of veteran's in its population, many of whom have medical needs as a result of injuries acquired during their military service. He reiterated the multiple funding sources and the need to ensure coordination and consolidation of transportation services.

2:01:55 PM

MR. OTTESEN reported that the GCTTF is currently gathering data, relating that last year, the GCTTF had difficulty in identifying and quantifying the number of people who need transportation services since overlap exists. He clarified that a person may be a senior who is also disabled. The GCTTF is also assessing the types of needs. He reviewed the schedule of GCTTF's upcoming meetings: February 2 in Juneau, May 3 in Fairbanks, July 28 in Kodiak, and October 24 in Anchorage. The GCTTF will report to the legislature next year with its findings. In further response to Chair P. Wilson, he repeated the proposed meeting dates, and explained the federal transit monies flow to the Departments of Labor (DOL), Military & Veterans Affairs (DMVA), and the DOT&PF.

2:04:01 PM

SENATOR THOMAS asked whether the GCTTF has a protocol for the study for the demand or need.

MR. OTTESEN answered that it has a scope of work along with an outline of tasks set out in the governor's proclamation. In further response to Senator Thomas, Mr. Ottesen answered that GCTTF is to report back to the governor by January 2012 with its findings.

2:04:42 PM

REPRESENTATIVE FEIGE related his understanding that the goal seems to be coordinating transportation largely between governmental agencies.

MR. OTTESEN answered that the GCTTF's role is to work at the local level with all parties who provide transportation, ranging from not-for-profit organizations providing senior services to a local transit authority and encourage them to work together. Thus far, DOT&PF has had some success, noting some organizations share dispatch services, maintenance costs, or vehicle ownership.

REPRESENTATIVE FEIGE asked whether private vehicles, such as taxis or limousines could also be used. He recalled the problems mentioned earlier in which rural residents were compelled to use an ambulance to transport them to medical appointments. He said it seemed that if handicapped vans were available they could be coordinated to reduce costs.

MR. OTTESEN agreed. He elaborated that Representative Feige has identified exactly the type of issue the GCTTF has discussed. He remarked that taxi cab companies often complain of additional costs a lot to equip a van to accommodate wheelchairs. The companies report that they do not usually have sufficient demand to justify the additional cost. He offered his belief that the challenge is to find a way to make the specially equipped van available when it is needed.

[2:06:22 PM](#)

The committee took an at-ease from 2:06 p.m. to 2:08 p.m.

PRESENTATION(S): PORT MACKENZIE RAIL EXTENSION

[2:08:49 PM](#)

CHAIR P. WILSON announced that the final order of business would be a presentation on the Port MacKenzie Rail Extension.

[2:09:13 PM](#)

ELIZABETH GRAY, Acting Borough Manager, Matanuska-Susitna Borough (MSB), began by stating the Port MacKenzie Rail Extension project is MSB's number one priority. She introduced Alaska Railroad Corporation's (ARRC) members present, as well as former DOT&PF Commissioner Perkins and former Anchorage Mayor Rick Mystrom. She reported that last year the legislature appropriated \$35 million to the Port MacKenzie project.

[2:10:21 PM](#)

RICK MYSTROM, Economic Development Advisor, Matanuska-Susitna Borough (MSB), stated that he is a former mayor of Anchorage and has been working as an advisor to the Matanuska-Susitna Borough (MSB). He offered to show a five-minute video highlighting the Port MacKenzie Rail Extension project.

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MR. MYSTROM narrated the five-minute video, which illustrates the 100-car rail loop that connects Anchorage to Port MacKenzie, explaining the progress on the proposed Port MacKenzie Rail Extension Project. He then offered to summarize the project by presenting a PowerPoint presentation titled, "Rail Extension

Project, Economic Benefits to the Alaska Economy." He referred members to the printed PowerPoint overview in member's packets.

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MR. MYSTROM highlighted what the Port Mackenzie Rail Extension (PMRE) project means to Alaska's economy [slides 1-2]. He explained the project would open up Interior Alaska to resource development, create a development corridor along the Railbelt for exploration and mineral extraction, and help facilitate the development of a world-class limestone deposit between Livengood and Fairbanks. The project could also help facilitate the development of a cement production facility in or near Fairbanks, dramatically improve the world competitiveness of Alaska's coal, significantly reduce transportation and staging costs for the proposed Alaska Natural Gas Pipeline, and help to increase employment in the MSB, the Denali Borough, the Fairbanks North Star Borough (FNSB), and Anchorage. He related that Port MacKenzie and the PMRE project would work together [slide 3]. He reported that Port Mackenzie is a bulk commodities port primarily for the export of minerals, cement, and coal. It also provides for the import, storage, and staging of bulk fuel and pipe. However, it is not a consumer goods or container port like the Port of Anchorage, he said.

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MR. MYSTROM related that 14 square miles of industrial land lies adjacent to Port MacKenzie, which represents more room to construct a project than any other location in Alaska. He pointed out that space is not available in Anchorage [slide 4].

MR. MYSTROM outlined the advantages of the PMRE project [slide 5]. He explained that the PMRE project would provide a shorter rail distance to tidewater for mineral exports and that it is 147 miles closer than any other opportunity to tidewater access. It is the only Alaska port with 100-rail car loop. It would provide efficient product transfer from train to ship, and would avoid the most congested portion of the Alaska Railroad Corporation (ARRC) mainline. Additionally, Port Mackenzie offers a deep draft port that operates year round. He reiterated the advantages, including the 14 square miles of industrial area, that it would make Alaska's minerals more competitive on the world market, and the PMRE project would provide a great opportunity to grow our export economy.

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MR. MYSTROM highlighted Alaska's total exports [slide 7]. He reviewed the statistics, relating that in 2007 Alaska's total exports were at \$4 billion, noting the subsequent downturn is due to the downturn in the world economy. He reported that the 2010 exports are rising and once again projected at \$4 billion. He offered his belief Alaska has the potential to "grow that dramatically."

MR. MYSTROM pointed out a pie chart which describes Alaska's exports by type [slide 8]. Seafood represents Alaska's biggest export at 50 percent and minerals represent 26 percent of the export market. He offered his belief that Alaska's mineral exports represent the greatest opportunity and potential for growth. He reported Alaska's current exports to Japan for seafood, minerals, energy, and forest products total \$981 million. He pointed out that Japan is a resource poor country and it needs Alaska's exports. Therefore, the current 14 percent in mineral exports could increase dramatically.

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MR. MYSTROM reported that in 2009, Alaska's exports to China totaled \$586 million [slide 10]. He remarked that 72 percent of Alaska's seafood exports are destined for China. Although current only 15 percent of Alaska's mineral exports are destined for China, it is cheaper for China to purchase Alaska's minerals since it does not have infrastructure in place.

MR. MYSTROM reported that in 2009, Alaska's exports to Korea total \$458 million, of which 35 percent are minerals, largely from coal. He predicted Alaska's mineral exports to Korea will continue to increase.

MR. MYSTROM provided estimates of the number of jobs created by the PMRE project, as reported from the Institute of Social and Economic Research at the University of Alaska Anchorage (ISER) and HDR, an employee-owned architecture, engineering and consulting firm [slide 12]. The ISER and HDR estimate 3,000 direct jobs. More importantly, the ISER and HDR estimates indirect construction and private development jobs will be created, including 4,000 ongoing, continuous private sector jobs over the next 17 years, as well as 3,500 jobs from the industrial development at Port Mackenzie [slide 13].

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MR. MYSTROM outlined funding needs [slide 14]. He explained that the PMRE's funding request is for \$55 million, including \$10 million for completion of the environmental impact study (EIS) scheduled for Fall 2010; \$18 million for constitutional of the truck route and rail loop, and \$35 million to begin construction of the rail extension, scheduled for 2010-2011. This year the governor included \$20 million in his proposed budget, whereas last year none was proposed. The legislature appropriated \$57 million, and although the governor vetoed \$22 million, \$35 million in funding remained. He advised that this year an additional \$55 million is requested for the PMRE to stay under budget.

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JOE PERKINS, Executive Project Manager, Port MacKenzie Rail Extension project (PMRE), began by elaborating on the three legislative appropriations [slide 14]. He explained that the first appropriation made approximately four years ago was \$10 million for completion of the EIS. The final EIS should be completed by March 2011, he said. The EIS is funded by the PMRE, but is being conducted by the federal Surface Transportation Board (STB) in Washington D.C. He also advised members that the \$10 million should be adequate to cover the EIS costs.

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MR. PERKINS elaborated on \$17 million appropriation for construction of the rail loop. Currently, the rail loop is 70 percent constructed, he said. The PMRE has contracted out \$10 million in construction contracts, of which the last contract will be completed this summer. The remaining funds will be used for design, environmental, and other activities. Last year, the PMRE received \$35 million from the legislature, which will fund the first construction contracts for the embankment on the main rail extension line. The main rail extension design has been completed. He anticipated that the \$22 to \$23 million in funds would cover 5 to 6 miles of the rail line. He further anticipated that the PMRE is within a month of settling the final rights-of-way necessary for the project. He anticipated that the PMRE will award the first contract as soon as the final EIS is completed. He commented that the final EIS will determine which of the three routes under consideration by the STB will be selected.

MR. PERKINS summarized that the total state appropriations to date for the project is currently at \$62 million. The PMRE will need an additional \$55 million in funds in order to stay on schedule, of that amount \$50 million is designated for construction contracts for embankments.

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MS. GRAY referred members to the three-ring binder in members' packets. She offered her belief that full funding makes sense [page 1]. The project would add up to 4,000 permanent mining and logistics jobs to the Alaska economy. Currently, the market for Alaska's minerals exists. The PMRE project could provide most of the construction materials for the proposed Susitna Dam via Port Mackenzie. Additionally, the proposed natural gas pipeline project could save a projected \$100 million by shipping heavy materials via Port Mackenzie as compared to projected costs by using other ports. Further, bids are coming in lower due to the downturn in the U.S. economy, so it makes "perfect" sense to fund the project now, she said.

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SENATOR THOMAS stated he realized the study was not prepared by PMRE but he offered his belief that the schedule of mines and employment seems "pretty ambitious." He asked for a list of the proposed mines during the PMRE's project timeframe.

MS. GRAY answered that she would be happy to provide the list. She recalled that the Usibelli Coal Mine, Inc. has expressed interest in transporting coal, as well as some interest from copper mines. She reiterated her willingness to provide a list of mines that have expressed interest, noting some entities may request confidentiality, she said.

SENATOR THOMAS clarified that having access to the details will be important to convince people of the project's viability. He related his understanding of the confidential nature of some entities, but he said he has grown weary of the term "proprietary." He asked for clarification of the difference in mileage that entities would have using Port Mackenzie as compared to using Seward.

MR. MYSTROM responded that Port Mackenzie is 147 miles shorter route as compared to the Seward destination. He recalled a seminar recently he heard a quote, which is: "Mineral export is transportation. Transportation is mineral export."

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SENATOR THOMAS asked for the reason that this project would not divert coal destined for Seward, especially given the coal dust issues at the Seward port due to the wind at that location.

MR. MYSTROM responded he would defer to the Usibelli Coal Mine, Inc., but held numerous conversations and was given assurances that the mine would continue to transport the same amount of coal through Seward. He said he was uncertain of their reasons, which might be due to its commitments to Seward or due to its infrastructure investments in Seward.

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SENATOR THOMAS asked for clarification on the last page of the PowerPoint overview, which listed three cost projections totaling \$156 million. He asked whether those costs represent the final costs or if other costs would be incurred and an additional appropriation would be requested at a later date.

MS. GRAY answered that the figures represent an estimated cost of the final projected costs to complete the PMRE project to connect to the Alaska Railroad Corporation's (ARRC) mainline.

MR. MYSTROM recalled an earlier comment related to projects coming in over budget. He stressed the PMRE is one project that is coming in under budget. He reported that the PMRE project was initially proposed at \$290 million dollar project and is now projected at \$218 million, which is down about \$70 million, he said.

SENATOR THOMAS recalled proposed spurs from Fairbanks to Delta Junction and to Livengood. He asked whether the project success is contingent on the completion of these spurs.

MR. MYSTROM answered that it is not. He explained that the Delta Junction proposed spur was added as the federal government funded the project, but he acknowledged some challenges have arisen related to river projects. With respect to the Fairbanks to Livengood spur, that project is not included in the PMRE project but he suggested the Livengood spur would probably be triggered by the proposed Susitna Dam project if the project is built. He reiterated that the proposed spur from Fairbanks to Livengood is not included in this budget.

SENATOR THOMAS remarked he thought the ARRC will be happy to hear that the spur at Delta has been funded by the federal government.

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SENATOR HUGGINS stressed that the PMRE is a statewide project, not a Matanuska-Susitna Borough (MSB) project. He commented that the PMRE project would be "connecting the dots" to a piece of the railroad. He acknowledged that while some constituents are not happy about disruptions this project causes, the overall project is important to the state. Thus he supports the PMRE project, he said. He recalled the MSB has received support from other communities and asked the MSB to mention the support for the project, thus far.

MS. GRAY referred members to Tab 4 of the binders in members' packets for a list of support for the PMRE project and to copies of the resolutions the MSB has received thus far. She commented that resolutions of support were received from the Denali Borough, the Alaska Railroad Corporation, the Alaska Miners Association, Inc., the Greater Fairbanks Chamber of Commerce, the Matanuska-Susitna Borough, the Greater Wasilla Chamber of Commerce, the City of Palmer, and the Alaska State Chamber of Commerce, which lists it as its top infrastructure priority.

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ADJOURNMENT

There being no further business before the committees, the joint meeting between the House Transportation Standing Committee and the Senate Transportation Standing Committee meeting was adjourned at 2:37 p.m.