

SENATE FINANCE COMMITTEE

April 10, 2015

9:04 a.m.

9:04:16 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Cathy Giessel, Sponsor; Representative Steve Thompson, Sponsor; Bill O'Leary, CEO, Alaska Railroad; Ben Ellis, Director, Division of Parks and Recreation, Department of Natural Resources; John Hutchins, Attorney, Department of Law.

PRESENT VIA TELECONFERENCE

Chad Hope, Pharmacist, Department of Health and Social Services, Anchorage; Don Perrin, Director, Pipeline Coordination Office, Department of Natural Resources; Frank Richards, Manager of Pipeline Engineering and Government Affairs Alaska Gasline Development Corporation.

SUMMARY

SB 70 GAS PIPELINE RIGHT-OF-WAY;PARKS;REFUGES

SB 70 was HEARD and HELD in committee for further consideration.

SB 71 VACCINE CERTIFICATION FOR PHARMACISTS

SB 71 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from Department of Health and Social Services, and a previously published zero fiscal note: FN1 (CED).

HB 140 LEG. APPROVAL: AK RAILROAD REVENUE BONDS

HB 140 was HEARD and HELD in committee for further consideration.

#sb71

SENATE BILL NO. 71

"An Act relating to the practice of pharmacy; and relating to the administration of vaccines and related emergency medications."

[9:05:44 AM](#)

Co-Chair MacKinnon read the title of the legislation.

SENATOR CATHY GIESSEL, SPONSOR, stated that she had no closing comments, and stated that there were individuals waiting to discuss the fiscal notes.

[9:06:26 AM](#)

AT EASE

[9:07:19 AM](#)

RECONVENED

[9:07:25 AM](#)

Vice-Chair Micciche stated that there was a fiscal note from Department of Health and Social Services (DHSS), with an appropriation for Health Care Services, and allocation for Medical Assistance Administration with an OMB component number of 242. He stated that the fiscal impact was zero from FY 16 through FY 21. There was no estimated capital or supplemental costs. The fiscal note previously had a requested amount, but DHSS determined that it could absorb any anticipated operating costs within the department.

CHAD HOPE, PHARMACIST, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, ANCHORAGE (via teleconference), stated that he was available for questions related to the fiscal note.

Senator Dunleavy asked for an explanation of the fiscal note.

9:09:08 AM

AT EASE

9:09:24 AM

RECONVENED

Senator Dunleavy wondered if the fiscal note was a zero fiscal note. Co-Chair MacKinnon replied in the affirmative.

Co-Chair MacKinnon asked why and how the fiscal note became a zero fiscal note. Mr. Hope replied that the bill required DHSS to enroll pharmacists as providers, as required under the Affordable Care Act. Initially the work would enhance the system at approximately \$50,000, but DHSS would not incur additional money. The department would use Children's Health Insurance Program (CHIP) money to offset additional costs associated with enrolling a new type of provider.

Co-Chair MacKinnon wondered if there would be anticipated CHIP revenue for future years. Mr. Hope replied that that he did not know about the CHIP funding. He furthered that the system implementation was a one-time process. There would not be ongoing future enhancements to that system.

Vice-Chair Micciche looked at the next fiscal note from the Department of Commerce, Community and Economic Development (DCCED), with an appropriation and allocation for Corporations, Business, and Professional Licensing. The appropriation request was for \$2,500 in FY 16, and zero request for FY 17 through FY 21.

Vice-Chair Micciche MOVED to REPORT SB 71 out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SB 71 was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from Department of Health and Social Services, and a previously published zero fiscal note: FN 1(CED).

9:13:43 AM

AT EASE

9:15:46 AM

RECONVENED

#hb140

HOUSE BILL NO. 140

"An Act authorizing the Alaska Railroad Corporation to issue revenue bonds to finance a positive train control rail transportation safety project that qualifies for federal financial participation; and providing for an effective date."

9:16:11 AM

REPRESENTATIVE STEVE THOMPSON, SPONSOR, introduced the legislation. He explained that HB 140 will authorize the Alaska Railroad Corporation (ARRC) to issue up to \$37 million in tax-exempt bonds backed by Federal Transit Administration (FTA) formula funds received annually by ARRC. Bond proceeds will be used to finance Positive Train Control (PTC): a safety program mandated by the federal government without any correlating funding, which is estimated to cost ARRC approximately \$158 million. ARRC proposes to refinance \$66 million in existing bonds and extend the repayment date in order to issue an additional \$37 million in bonds to pay for a major portion of the remaining \$55 million in PTC costs. Under AS.42.40.285 ARRC is required to receive legislative approval to issue bonds. In no event will the general credit of the State of Alaska or ARRC be pledged for the repayment of these bonds. AS.42.40.500 requires that all liabilities incurred by ARRC shall be satisfied "exclusively" from the assets or revenue of ARRC and not the State. Debt payment for the bonds will come from a portion of Federal Transit Administration (FTA) formula funds which are statutorily mandated by Federal law and received annually by ARRC. Issuing debt backed by FTA formula funds is authorized through FTA regulation and has already been used by ARRC to issue bonds. PTC is technology designed to stop or slow a train before human-error causes an accident to occur. In 2008, the federal Rail Safety Improvement Act required certain railroads to install a fully functional PTC system by the end of 2015; by virtue of its passenger service, ARRC is subject to this

requirement. A failure to implement PTC will force ARRC to severely curtail or eliminate passenger service and/or face severe fines for non-compliance. Estimates for this large research and development project indicate that it will cost approximately \$158 million to implement. Since 1997, ARRC has invested \$68.9 million to develop a PTC system. In 2013 and 2014, ARRC received an additional \$19.1 million and \$15 million respectively from the State of Alaska to continue work on PTC. Between 2016 and 2018, an additional \$55 million will be required for ARRC to complete the development and installation of PTC by 2018. This figure does not include the estimated \$5 million to \$7 million per year of operating and capital maintenance costs related to the system that ARRC will fund after PTC is installed.

Vice-Chair Micciche shared that he was not in support of PTC, but understood that the state did not have a choice. He expressed support for the legislation.

Senator Dunleavy appreciated the legislation.

Co-Chair MacKinnon CLOSED public testimony.

[9:21:36 AM](#)

Senator Hoffman wondered how much unutilized land was owned by the Alaska Railroad.

BILL O'LEARY, CEO, ALASKA RAILROAD, explained that there was roughly 36,000 acres of land owned by the corporation. Approximately 18,000 acres of that land was used directly in rail operations, such as right-of-way. Therefore, there was a remaining 18,000 acres available for other use. He recalled that there was approximately 2600 acres that were under lease or permit.

Senator Hoffman queried the future plans of the remaining 15,000 acres. Mr. O'Leary replied that there was a hope to develop the unused land. There were some plans in Fairbanks, Anchorage, and Seward with the hopes to move forward.

Senator Hoffman wondered if the undeveloped acres would be available to create jobs to incur investment. Mr. O'Leary replied that it was of great concern to the corporation, and was a part of the financial picture. He stated that there was a hope to utilize the railroad land.

Senator Hoffman queried the corporation's position on selling any of the land. Mr. O'Leary replied that the corporation was not often interested in selling the land, because the ownership of the land was a key piece in the financial structure.

Senator Hoffman wondered if the corporation would sell the land upon threat of closing the railroad operations, as they are with the PTC federal requirement. Mr. O'Leary responded that the corporation was not in favor of selling the land, because of the possibility of the need for continuous revenue stream. He felt that the selling of the land would not produce enough funds in the short time that the funds were needed for the project.

Senator Hoffman surmised that the railroad would rather close down operations, than sell the land to keep the railroad operating. Mr. O'Leary disagreed.

Vice-Chair Micciche shared that he was supporting the bill, because the state would not have bond liability. He asked for further explanation of the bond. Mr. O'Leary replied that the debts to the Alaska Railroad were not liabilities of the state. There would be no recourse to the state for the bond, as was explicitly outlined in the bond documents. There was also no recourse to the general credit of the Alaska Railroad. The only security for the bonds, as proposed, was from the Federal Transit Administration formula funding.

HB 140 was HEARD and HELD in committee for further consideration.

#sb70

SENATE BILL NO. 70

"An Act relating to exceptions from designation as a special purpose site under art. VIII, sec. 7 of the Constitution of the State of Alaska for portions of Denali State Park, Captain Cook State Recreation Area, Nancy Lake State Recreation Area, and Willow Creek State Recreation Area to allow leasing a right-of-way for a natural gas pipeline."

[9:29:09 AM](#)

Co-Chair MacKinnon addressed the legislation.

BEN ELLIS, DIRECTOR, DIVISION OF PARKS AND RECREATION, DEPARTMENT OF NATURAL RESOURCES, explained the legislation. He looked at the SB 70 Briefing Paper (copy on file):

SB 70 is necessary to open a corridor through four state legislatively designated areas (Denali State Park and Willow Creek, Nancy Lake, and Captain Cook State Recreation Areas) to the right of way leasing act for the purpose of construction a natural gas pipeline from the North Slope of Alaska.

The bill would accomplish the following primary objectives:

- 1) Authorize the issuance of a right of way lease under AS38.35, the Pipeline Right of Way Leasing Act for a gas pipeline in an identified corridor through Denali State Park and Willow Creek, Nancy Lake, and Captain Cook State Recreation Areas.
- 2) Require the corridor to be managed as parkland and recreation areas until leased under 38.35 and returned to original park and recreation area management upon termination of the lease.
- 3) Provides supplemental requirements to reserve traditional means of public access and minimize the impact of a pipeline on the specific values of park and recreation areas.
- 4) Clarifies the DNR Commissioner's power to delegate condemnation authority to the lessee does not apply within the bounds of the park and recreation areas.
- 5) Requires the gas pipeline lease be issued before January 1, 2020

Why the bill is needed:

The parks at issue are special use sites, reserved from the public domain by the legislature pursuant to Article VIII, Sec. 7 of the Alaska Constitution. As a result, they are

not, without legislative action, open for leasing under AS 38.35.

Why this bill does not include State game refuges and DNR Susitna Basin Rec Rivers:

Although some restrictions on multiple use are imposed on the state game refuges and rivers, these areas are not closed to leasing under AS 38.35 where a lease would be compatible with the purposes of the reserves.

Does the corridor specified in the bill suffice for both the ASAP and AKLNG Projects:

AGDC and AKLNG have worked cooperatively to select a common alignment for both projects. AGDC has completed its route revision to the common alignment and are now calling it Rev. 6.1. Field efforts for both projects have changed to reflect the common alignment as evidenced in the geotechnical site locations currently being conducted within Denali State Park.

9:35:06 AM

Senator Dunleavy wondered if the proposed parcels were within the parks, or were any outside of the parks. Mr. Ellis replied that each proposed parcel within the bill were in one of the four parks mentioned. He stated that a portion would go outside of the park, but was not included in the legislation.

Vice-Chair Micciche asked for assurance that, other than during the construction, the public use was previously permitted and the park corridors would not be interrupted in the future. Mr. Ellis replied that the land would remain park land, and available for public use under park statutes during the early phase. The pipeline construction would still allow some recreational usage.

Vice-Chair Micciche remarked that the right-of-way may improve recreational access.

9:38:02 AM

AT EASE

9:40:21 AM

RECONVENED

9:40:25 AM

Senator Dunleavy wondered if it was advisable to require that the right-of-way leases had definable and enforceable obligation for restoration and revegetation. Mr. Ellis replied that the intention was to fully return to the state prior to any land disturbance.

JOHN HUTCHINS, ATTORNEY, DEPARTMENT OF LAW, explained that any pipeline right-of-way leases under the statute was required to include a set of covenants that included an assurance that the lessee would restore the land to a condition acceptable by the commissioner.

Vice-Chair Micciche wondered if the legislation would conclude the pipeline right-of-way needs from Prudhoe Bay to the terminus in Nikiski. Mr. Ellis deferred to Mr. Perrin.

DON PERRIN, DIRECTOR, PIPELINE COORDINATION OFFICE, DEPARTMENT OF NATURAL RESOURCES (via teleconference), explained that the state agencies had been working in terms of field work permitting, and coordination with federal agencies. He stated that the legislation would conclude the right-of-way needs for the project.

9:44:15 AM

Senator Hoffman queried the percentage of the right-of-way that the legislation accomplished. He also wondered if there were further problem areas related to acquisition. Mr. Perrin replied that the corridor varied in width from on-half mile to two miles. He explained that the width was determined to ensure adequate engineering and environmental reviews.

Senator Hoffman remarked that the line from Prudhoe Bay to the destination to tidewater. He wondered how much additional right-of-way was needed for the project. He queried the anticipated problem areas related to acquisition. Mr. Perrin replied that the bill would allow for completion of land as need for the right-of-way on state land. He noted that the act only applied to state land, and the legislation would allow for completion.

Senator Hoffman queried the percentage of additional leases that was required for all right-of-way.

FRANK RICHARDS, MANAGER OF PIPELINE ENGINEERING AND GOVERNMENT AFFAIRS ALASKA GASLINE DEVELOPMENT CORPORATION (via teleconference), asked for a restatement of the question.

Senator Hoffman wondered how much right-of-way was currently acquired and how much was yet to be acquired. He also queried the possible problem areas for future acquisition. Mr. Richards replied that the legislature had specifically required Department of Natural Resources (DNR) to provide Alaska Gasline Development Corporation (AGDC) the Title 38 lands through a state right-of-way in 2011, which represented approximately 55 percent of the Alaska Stand Alone Pipeline (ASAP) right-of-way. The addition of the lands from the legislation gave access through Denali State Park, Willow Creek, and Nancy Lakes. That mileage was approximately another 5 percent of state lands. The completion of the supplemental environmental impact statement (EIS) would show an outcome of record of decision by the Department of the Interior Bureau of Land Management which would provide the federal right-of-way, at 30 percent right-of-way. The project would be approximately 90 percent, with the remaining 10 percent in municipal, borough, private land ownership, and native corporation allotments still yet to be acquired.

[9:49:21 AM](#)

Senator Hoffman wondered if there were anticipated problem areas that would require eminent domain. Mr. Richards replied that there were very little, if any use of eminent domain. He explained that the legislature allowed AGDC the use of eminent domain through HB 4 and in existing statutes.

Senator Hoffman restated his question as related to the AKLNG project. Mr. Richards responded that the AKLNG and ASAP currently shared a common route from Prudhoe Bay to the Susitna River Bridge. At that point, ASAP traversed to the east of the river, and the AKLNG headed west toward the Cook Inlet Crossing. He agreed to provide information for the actual land ownership requirements for AKLNG.

Senator Hoffman queried the timeframe to acquire the required additional lands for project construction. Mr. Richards replied that the private and municipal owned lands would not be determined until the final investment decision to advance the project.

Co-Chair MacKinnon wondered if there were any additional comments on SB 70. Mr. Richards replied that SB 70 would allow either pipeline project to proceed through the park lands. The original intent of the legislature provided the right-of-way across state lands, so the bill allowed for the land to advance the pipeline project.

Senator Bishop queried the difference on the right-of-way for the two projects. He understood that the AKLNG was 180 feet, and the ASAP was 120 feet. Mr. Richards responded that he did not have the specifics for AKLNG. He explained that moving a large diameter pipe required areas to work and dispose. He stated that there was likely different equipment for the different sized pipe.

Co-Chair MacKinnon wondered if the corridor would require the removal of trees for an extended period of time. Mr. Ellis replied that the land would return to a natural state. He stated that there was normally a five to ten year period of time that would allow for full revegetation.

Co-Chair MacKinnon CLOSED public testimony.

[9:54:50 AM](#)
AT EASE

[9:56:21 AM](#)
RECONVENED

Vice-Chair Micciche wondered what the right-of-way would look like at post-construction. Mr. Ellis responded that that corridor would be clear for construction. The 50 foot right-of-way for the pipeline would be clear. He stated that there may be a recreational trail near the pipeline that would also provide access to the line.

SB 70 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

9:58:25 AM

The meeting was adjourned at 9:58 a.m.