

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

April 11, 2018

2:19 p.m.

**MEMBERS PRESENT**

Representative Andy Josephson, Co-Chair  
Representative Geran Tarr, Co-Chair  
Representative John Lincoln, Vice Chair  
Representative Harriet Drummond  
Representative Justin Parish  
Representative Chris Birch  
Representative George Rauscher  
Representative David Talerico

**MEMBERS ABSENT**

Representative DeLena Johnson  
Representative Mike Chenault (alternate)  
Representative Chris Tuck (alternate)

**COMMITTEE CALENDAR**

PRESENTATION(S): DEPARTMENT OF NATURAL RESOURCES

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

ANDY MACK, Commissioner  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a PowerPoint presentation entitled, "ASTAR Project Update" dated 4/11/18.

JENN ADLEMAN, Project Coordinator  
Office of Project Management and Permitting  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Answered a question during the update on the Arctic Strategic Transportation and Resources project.

LOIS EPSTEIN, Arctic Project Director  
The Wilderness Society  
Anchorage, Alaska

**POSITION STATEMENT:** Testified during the update on the Arctic Strategic Transportation and Resources project.

**ACTION NARRATIVE**

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**CO-CHAIR ANDY JOSEPHSON** called the House Resources Standing Committee meeting to order at 2:19 p.m. Representatives Josephson, Talerico, Lincoln, Parish, and Birch were present at the call to order. Representatives Rauscher, Drummond, and Tarr arrived as the meeting was in progress.

**PRESENTATION(S): Department of Natural Resources**

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**CO-CHAIR JOSEPHSON** announced that the first order of business would be an update by the Department of Natural Resources (DNR) on the Arctic Strategic Transportation and Resources (ASTAR) project.

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**ANDY MACK**, Commissioner, DNR, informed the committee the ASTAR project began in 2016 when Governor Walker met with leaders from the North Slope region and discussed how changing ice conditions affect communities and industry that rely upon ice for transportation purposes in winter. He stated the safe use of ice and snowpack roads is now limited to early January until mid-April. Due to this situation, the administration, in partnership with regional entities, tasked DNR to enhance and protect affected communities' road systems and maintain state access to state land in the Colville River Delta and the National Petroleum Reserve-Alaska (NPR-A) on a year-round basis in the future. Commissioner Mack stressed transportation on a year-round around basis in this region is of particular interest to younger residents. Therefore, DNR obtained an appropriation of \$7.3 million which was used to update existing agreements with the North Slope Borough and to execute a separate agreement defining the ASTAR project (slide 2).

COMMISSIONER MACK said the lead agency for the ASTAR project is the Office of Project Management and Permitting (OPMP), and there will be additional participation by the Division of Mining, Land and Water, the Division of Support Services, the Division of State Parks and Outdoor Recreation, the Division of Geological and Geophysical Surveys (DGGS), and the Division of Oil and Gas. He pointed out the original request for the project in 2016 was for a year-round road from the Colville River Delta to [Utqiagvik]; however, ASTAR has been expanded to include providing infrastructure in the Arctic National Wildlife Refuge (ANWR) 1002 Area. Additionally, the Department of Health and Social Services will provide a health analysis, the Department of Commerce, Community & Economic Development will provide a resiliency and adaptation study and training, and the Department of Transportation & Public Facilities (DOTPF) will provide planning guidelines from the Northwest Alaska Transportation Plan (slide 3).

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COMMISSIONER MACK explained DOTPF has many transportation projects underway; however, ASTAR is not part of a Statewide Transportation Improvement Program (STIP) and thus is not part of a federal planning process at this time, although that is DNR's goal. He stressed Alaska has not built a major new infrastructure project in rural Alaska for many years and ASTAR is focused on the North Slope region, which continues to provide substantial income from state resources; also, the North Slope contains large federally-controlled areas such as NPR-A and ANWR, therefore, Commissioner Mack cautioned that the state needs to provide a consistent vision with its regional partners to avoid challenges from federal agencies.

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REPRESENTATIVE PARISH asked:

Under the decreased rehabilitation costs for the NPR-A legacy wells [a desired outcome listed on upcoming slide 4], is it correct that at present the federal government would, would bear those costs and benefit from that reduction?

COMMISSIONER MACK said yes and explained a challenge with the NPR-A legacy well program is that a large portion of the federal funds appropriated would be spent getting access to the wells; however, [because the ASTAR project would provide less expensive

access] the state would ensure the appropriated money is used to plug and abandon wells.

REPRESENTATIVE PARISH questioned whether DNR could achieve a federal match for any portion of the project.

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COMMISSIONER MACK expressed DNR's opinion the legacy [well rehabilitation] program is an obligation of the federal government. He remarked:

With respect to year-round roads, in particular a year-round road where folks in the community of [Utqiagvik] can enjoy that year around access, we would expect that a ... element of the funding would be ... something that's a little bit more traditional, potentially more traditional, and like a [U.S. Department of Transportation (USDOT)] funded project, construction of which is largely, you know, the large contribution comes from the federal government ....

COMMISSIONER MACK directed attention to slide 4 which listed the following desired outcomes:

- Increased cultural connectivity
- Reduction in cost of living in area communities
- More efficient development of natural resources
- Increased economic activity providing job opportunities for the region
- Decreased rehabilitation costs for NPR-A legacy wells

COMMISSIONER MACK said the [ASTAR project] would proceed in partnership with the region's communities for the shared benefit of both the communities and the state by maximizing natural resource development; however, DNR will ensure its vision is shared with affected communities. Commissioner Mack advised the ASTAR project encompasses large areas of federal and private lands thus the project is being planned regionally, with less regard for land ownership, and crosses many land management jurisdictions. Also shown on slide 4 are deliverables including a strategic plan and a cumulative benefits analysis tool. He explained federal planning on the North Slope reflects cumulative impacts of development, which undervalues the benefits of development. However, the state, while

understanding impacts, also reports cumulative benefits that must be taken into account when the state seeks to fill wetlands with gravel; in fact, DNR will fully evaluate the benefits of projects across the state.

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REPRESENTATIVE BIRCH observed ASTAR has garnered a high level of support from the affected communities.

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REPRESENTATIVE PARISH pointed out the project has support from the North Slope Borough and asked whether other communities within the affected area have offered support or opposition.

COMMISSIONER MACK answered the North Slope Borough is a true partner in the project and has developed a plan focused on the infrastructure needs of [Utqiagvik] and seven North Slope villages; he surmised most of the villages seek long-term year-round transportation options and development, such as road access for Anaktuvuk Pass, and marine or other facilities for Kaktovik, Nuiqsut, Wainwright, and others. He said no one has expressed opposition.

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COMMISSIONER MACK directed attention to a conceptual map on slide 5 which indicated existing year-round infrastructure and potential transportation utility corridors. He turned to slide 6 and recalled after receiving funding last year DNR began work with the North Slope Borough on an ASTAR proof of concept project that entailed getting a permit for a community winter access trail. The project is a hardened packed trail that would demonstrate how a year-round road system on the tundra would operate. The permit was issued by the Bureau of Land Management (BLM), U.S. Department of the Interior, to the North Slope Borough, and a snowpack road was built from the existing road south to Nuiqsut and on to [Utqiagvik]. The road is now being used by residents for transportation from [Utqiagvik] to Deadhorse and south. Further, the road will be used by contractors of [Parcel Post mail in the bypass mail process] in order to understand and measure the impacts and benefits of commercial transportation systems.

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REPRESENTATIVE PARISH asked how improved snow trails are built and what type of traffic they can support.

COMMISSIONER MACK deferred to Jenn Adleman.

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JENN ADLEMAN, Project Coordinator, Office of Project Management and Permitting, DNR, informed the committee snow trails are repeatedly built up from snow by equipment as the snow is packed down and more is added; as the trails are used by vehicles, the snow is continually packed down. Further, maintenance vehicles travel with caravans of vehicles and trucks to maintain the trails, and over time, constant use improves the trail.

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COMMISSIONER MACK directed attention to slide 7, noting ASTAR 2018 work highlights include hiring Alaska-based contractors to provide the tasks listed on slide 7. This work informs infrastructure project cost comparisons and analyses to understand future funding sources for the project in light of the state's fiscal climate. He suggested one possible funding source for construction is bonding through the North Slope Borough's North Slope Port Authority, or federal funding from USDOT. At this time, DNR has issued contracts for the aforementioned tasks with Arctic Slope Regional Corporation (ASRC) Energy Services (AES), and Resource Data, Inc., and work is underway. He directed attention to slide 8 which provided information on a construction materials survey which will be conducted by DGGs; also underway is 2018 field work which may continue into the 2019 summer season. He closed with slide 9 which illustrated the ASTAR project budget from fiscal year 2018 (FY 18) through FY 20 and offered to answer questions on budget items for committee members following the meeting.

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REPRESENTATIVE BIRCH expressed support for the project and pointed out the cost of an ice road is estimated at \$400,000 per mile; however, estimates for the Ambler Access project estimated the cost of an ice road at \$300,000 per mile. He asked whether the materials for the ASTAR project are state-owned.

COMMISSIONER MACK answered DNR will look at all material sites, including sites owned by the state, the North Slope Borough, and ASRC; in fact, the project may require sites on land owned by

the state, Alaska Native corporations, and BLM, and materials may also be sourced from allotments.

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LOIS EPSTEIN, Arctic Project Director, The Wilderness Society, paraphrased from her written statement, which read [original punctuation provided]:

Thank you very much to the co-chairs and members of the House Resources Committee for holding this hearing - especially during this busy time - on the Arctic Strategic Transportation and Resources project, or ASTAR. You probably know that the legislature provided over \$7.3 million for ASTAR in the 2018 capital budget following a May request from DNR, unfortunately without holding a single hearing on the project. My goal today is to explain the problems with this project so the legislature can consider re-appropriating some of ASTAR's unrestricted funds for more valuable purposes.

As background, I am an Alaska-licensed engineer and Arctic Program Director for The Wilderness Society. In the past, I developed reports, testimony and comments opposed to - for financial and other reasons - the now-cancelled Juneau and Gravina Access projects, the Knik Arm Bridge project, the road to Nome and the road to Umiat. The state spent tens of millions of dollars on each of these projects for planning, not construction, while at the same time the state underfunded existing road, bridge, and ferry maintenance and upgrade needs.

I'd be happy to provide the committee with information on some major road and ferry projects that I, as the former head of the statewide non-profit Alaska Transportation Priorities Project, have not opposed.

Community residents that attended hundreds if not thousands of hours in meetings and wrote comments in support of these proposed projects were disappointed to learn that the state could not construct these now-cancelled roads and bridges due to our limited financial resources.

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MS. EPSTEIN continued:

Legislative committees also spent hundreds of member hours analyzing these projects and appropriating money for planning purposes only to learn later that the state could not support the more expensive portion of these projects...construction.

Given the state's financial situation, it is a mystery to me why the legislature in 2017 approved an appropriation for ASTAR which starts this new megaproject in the very same capital budget that shut down the unaffordable Knik Arm Bridge and Juneau Access megaprojects. I fear that residents of the North Slope are being misled into thinking that ASTAR will actually construct gravel roads rather than just spend money to plan them.

How did the proposed road to Nome, for example, work out? A state-funded analysis issued in 2010 projected that the road would cost a whopping \$2.3-2.7 billion, an amount too high to justify lowered costs for purchases in currently roadless communities. Rather than cancel the project following that report, Gov. Parnell's spokesperson misleadingly told the Anchorage Daily News that, "it's too soon to say how the actual construction would be financed, and if private money might be involved." That is very similar to what DNR Commissioner Mack told the Alaska Journal of Commerce this past September: "Mack acknowledged \$7.3 million doesn't build much on the Slope and said that money will be used to plan projects and hopefully devise a payment structure for what might actually be built, which he also said almost certainly won't come close to the entire network."

When a public meeting on the road to Nome was held in Anchorage, the participants were very concerned that the road's extremely high cost would take money away from transportation needs in the Anchorage region. Finally, in November 2013, the state cancelled the road to Nome.

How will the ASTAR project likely play out? Probably much the same way. The ASTAR team will hold meetings with Arctic residents and possibly others throughout the state to assess public support. Some Arctic residents might like the idea of roads, while others will oppose them because of potential negative effects on subsistence including from non-residents who may come to hunt. Non-Arctic residents will be concerned that ASTAR will take money away from local transportation needs.

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MS. EPSTEIN continued:

ASTAR staff and consultants, paid for by the \$7.3 million appropriation, will estimate the road network cost. According to a February 21, 2018 letter from DNR's Heidi Hansen to Senator Giessel, gravel roads would cost \$1-2 million per mile, with recent Arctic roads costing approximately \$2 million per mile. The state likely will tell reporters that it does not yet know how it will finance these roads and will add that private money from tolls may be involved; toll money can help finance maintenance but generally is not enough to fund road construction. As Commissioner Mack told the Alaska Journal of Commerce, "Part of the project is to understand and examine the financial opportunities and one of the opportunities may be a tolling structure and how that might work."

A few years from now, after spending millions or possibly tens of millions of dollars if the legislature appropriates more money, the state will discover that the cost of ASTAR is unaffordable and the proposed project will be canceled. Arctic residents who have gotten their hopes up for year-round roads to connect them to other communities will be greatly disappointed.

So what key questions should the legislature and the Walker administration consider at this time? With due respect to Commissioner Mack, DNR has not provided strong answers to two key concerns:

1. What is the need for year-round roads on the North Slope, which will be tremendously expensive, when much of the cost savings to communities can be achieved with low cost snow roads? And,
2. The ASTAR project will be in competition for dollars with fixing roads and bridges and ferries in more populated areas like Anchorage, Wasilla, Fairbanks, and Juneau. This project should be part of the state's Long Range Transportation Plan. When we're talking about using state dollars, the decisions should be made with statewide input.

Thank you for your attention to this testimony. Please let me know if I can provide any additional information or answer any questions.

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CO-CHAIR JOSEPHSON remarked:

... I share some of your concerns for sure. There was nothing I heard in today's testimony, however, that made any promises or assurances. Do you agree with that?

MS. EPSTEIN explained there has been a history of planning and permitting for major road and transportation projects; because millions of dollars are spent, the public has "an expectation that things are going to happen, and we've seen it with the Knik Arm Bridge. Even though the, both the governor and the legislature have canceled that project, there are still members of the public and others who are very interested in continuing to pursue that despite the fiscal realities of the state."

REPRESENTATIVE BIRCH asked Ms. Epstein whether she would support the project if it were privately constructed at no cost to the state.

MS. EPSTEIN said her support would depend on the road construction details of the plan.

REPRESENTATIVE BIRCH observed the Dalton Highway was constructed privately as a support road during construction of the Trans-Alaska Pipeline System (TAPS) and is now a public road providing access to Utqiagvik. He urged witnesses to consider the benefits, offsets, and positive aspects of surface transportation, and opportunities that may be provided by private initiative.

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REPRESENTATIVE TALERICO described the [Roads to Resources - Road to Tanana] project. He referred to Ms. Epstein's characterization of the road as a "primitive road." He asked:

Is that, was that an official classification, that that was a primitive road, [because] there's a portion of that road that goes through corporation land which was off limits, you know, until they had approval for it ... I'm not too sure about the primitive road designation from, say, Tofty out to the Tanana River.

... Or was that more just, just based off a couple of the different routes that people had had?

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MS. EPSTEIN expressed her understanding the work was an upgrade of an existing route that "some" have characterized as a primitive road. She added:

... the point I was making was the lower cost to build that road - which did come in less than was predicted - was in part a result of there being a, a route in some fashion along that ... in that area that was existing. So, that's very different than an Ambler road where it's basically more or less a greenfield road, and some of these roads would be that way as well, although the conditions on the North Slope are, of course, flatter, so that would make it cheaper than Ambler.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:10 p.m.