

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

February 12, 2019

1:31 p.m.

MEMBERS PRESENT

Senator Shelley Hughes, Chair
Senator Jesse Kiehl
Senator Peter Micciche
Senator David Wilson

MEMBERS ABSENT

Senator Mike Shower, Vice Chair

COMMITTEE CALENDAR

CONFIRMATION HEARING

Board of Marine Pilots
Edward Sinclair

- Confirmation Advanced

OVERVIEW: ALASKA RAILROAD

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

EDWARD SINCLAIR, appointee
Board of Marine Pilots
Juneau, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Marine Pilots.

BILL O'LEARY, President and CEO
Alaska Railroad
Anchorage, Alaska

POSITION STATEMENT: Delivered the overview of the Alaska Railroad.

ACTION NARRATIVE

[1:31:42 PM](#)

CHAIR SHELLEY HUGHES called the Senate Transportation Standing Committee meeting to order at 1:31 p.m. Present at the call to order were Senators Kiehl, Wilson, and Chair Hughes. Senator Micciche arrived during the introduction.

[1:32:16 PM](#)

At ease

Confirmation Hearing
Board of Marine Pilots

[1:33:18 PM](#)

CHAIR HUGHES reconvened the meeting and announced the first order of business would be a confirmation hearing for Edward Sinclair to the Board of Marine Pilots. She read the mission and composition of the board and asked Captain Sinclair to provide his opening remarks.

[1:34:23 PM](#)

CAPTAIN EDWARD SINCLAIR, appointee, Board of Marine Pilots, Juneau, stated that he served in the Coast Guard for 20 years, mostly in Alaska. He became involved with the marine pilots through work and was asked to join their training program after he retired. He accepted because it seemed to be a good fit. He has been licensed since 2006 and he looks at this as an opportunity meet the mission of the board.

[1:35:49 PM](#)

SENATOR KIEHL thanked Captain Sinclair for volunteering and asked him to share insight on the issues that pilots are facing in areas other than Southeast.

CAPTAIN SINCLAIR said the issue in Southeast is that the cruise industry is bringing on the new mega-ships. This is also relevant to some other regions of the state, but things are generally more stable in the other regions. There has been an increase in traffic in the far west but he wasn't aware of any major issues facing the board.

SENATOR KIEHL said he appreciates the work the Southeast Pilots Association has done working collaboratively with the industry to prepare for the new mega cruise ships. He noted that, "Some of these vessels have a broadside sail area of almost four acres and piloting them in the winds of the Inside Passage can be a heck of a challenge." The association and Southeast marine pilots have gotten out ahead of that curve with ship simulators in Seward, he said.

SENATOR MICCICHE said he reviewed Captain Sinclair's resume and it is impressive; he is well credentialed.

SENATOR WILSON asked if he had attended past board meetings.

CAPTAIN SINCLAIR replied he attended the January and October 2018 meetings, and at least one during his time as a licensed pilot.

SENATOR WILSON asked if he has any concerns with the board or sees improvements that could be made.

[1:38:51 PM](#)

CAPTAIN SINCLAIR said he would like the board to discuss the new mega ships and the role the state and the federal government may play in managing safe traffic. The mission of the board isn't quite in line with what he has in mind, but he would like to explore that and perhaps lead the discussion with other agencies.

CHAIR HUGHES asked if the Board of Marine Pilots has been involved in the analysis and discussions about Nome as the Arctic port.

CAPTAIN SINCLAIR said he wasn't aware of any recent discussions, but several years ago there was detailed discussion and presentations at the board level. He said the board took great interest in how piloting would be handled.

CHAIR HUGHES asked if marine pilots are used at the Port of Anchorage and if they would be used if ships went in to Port MacKenzie.

CAPTAIN SINCLAIR said yes; the general rule is that any foreign-flagged vessel is required to take on a state marine pilot anytime it is maneuvering or transiting state waters.

CHAIR HUGHES asked if he had experience in waters other than Southeast.

CAPTAIN SINCLAIR replied his experience is predominately in Southeast, but he made a couple of trips west past Kodiak and to the Aleutian Islands while in the Coast Guard.

SENATOR MICCICHE asked if he worked as a captain or an officer in the private sector after 2002.

CAPTAIN SINCLAIR said no; he retired from the Coast Guard and immediately entered the piloting training. He received a Coast Guard unlimited tonnage license before retiring and that qualified him at a certain level to start piloting in the training program.

SENATOR MICCICHE asked if he feels prepared to deal with issues associated with tanked and cargo vessels in ports outside Southeast. "How do you feel you'll deal with that specific lack of experience around the state," he asked.

CAPTAIN SINCLAIR said in Southeast, pilots train on the vessels that call on Southeast ports but the training program doesn't prevent someone from training for large tanked vessels. Through training and continuing education, marine pilots handle many different ships either in simulation or manned models. The rules and regulations are statewide and while he may not have served on any tankers, that doesn't prevent him from serving on the board and helping it to meet its mission.

[1:44:01 PM](#)

SENATOR MICCICHE remarked that there are some extremely dynamic bodies of water around the state that are very different than Southeast. He asked, "How will you become familiar with those challenges while serving on the board?"

CAPTAIN SINCLAIR said he'd get input from pilots in the area, find out what the unique challenges are, and apply the rules of the board to that information.

[1:44:45 PM](#)

CHAIR HUGHES noted that he was a graduate of the U.S. Coast Guard Academy. She asked if attending the academy was something he always wanted to do and if that's what brought him to Alaska.

CAPTAIN SINCLAIR said the academy wasn't on his list, but his father served in the Coast Guard and suggested he look into it.

His first assignment out of the Coast Guard Academy was Sitka and he fell in love with Alaska. Being on a ship allowed him to become familiar with Southeast. He found he enjoyed learning the waterways and handling ships in close proximity to dangers. He related that every time he was transferred out of Alaska, he asked to return.

[1:47:13 PM](#)

CHAIR HUGHES thanked Captain Sinclair for his service and for stepping forward. Finding no further questions she opened public testimony. Finding none she closed public testimony.

[1:48:06 PM](#)

CHAIR HUGHES stated that in accordance with AS 39.05.080, the Senate Transportation committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Board of Marine Pilots

Edward Sinclair - Juneau

She reminded members that signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.

[1:48:38 PM](#)

At ease Overview: Alaska Railroad

[1:51:01 PM](#)

CHAIR HUGHES reconvened the meeting and announced the next order of business would be an overview of the Alaska Railroad by Bill O'Leary.

[1:51:13 PM](#)

BILL O'LEARY, President and CEO, Alaska Railroad Corporation, said he would provide an overview and update of things going on with the railroad. He started with slide 2, "Safety Minute" and explained that every railroad presentation starts with a slide about safety. The railroad takes safety very seriously and that is reflected in all its public presentations. He directed attention to the first graphic that highlights the group the railroad is involved with called, "Operation Lifesaver." It's an organization the railroad partners with to educate the public about the issues with trespass and being on or around the tracks. He noted that since the railroad was transferred from

the federal government in 1985, 15 people have been killed on the tracks. The three graphics on the bottom of the slide are examples of illegal trespass that were posted on social media.

1:53:25 PM

MR. O'LEARY described the organization, operating data, 2018 operating statistics, and numbers of employees of the railroad. He said in 1917-1919 the federal government combined a number of failed railroads into what is now the Alaska Railroad. It was owned by the federal railroad administration until about 1985 when it was purchased by the State of Alaska and the legislature established the Alaska Railroad Corporation (ARRC. It is a public corporation that was set up to operate like private enterprise that can respond to the marketplace. ARRC has a board consisting of 7 members; [6 appointed by Governor - 2 licensed pilots actively engaged in piloting vessels (subject to statute), 2 agents or managers of vessels, and 2 public members; plus the commissioner of the Dept. of Commerce, Community and Economic Development or his/her designee; not more than one pilot and one agent shall be from any one judicial district; must be Alaska residents].

CHAIR HUGHES observed that about 200 of the 656 miles of ARRC track run through the MatSu Borough. She asked if any of the board members were from that area.

MR. O'LEARY answered no.

CHAIR HUGHES asked when a MatSu resident was last on the board.

MR. O'LEARY estimated it was 6-7 years ago.

CHAIR HUGHES asked when there would be an opening on the board.

MR. O'LEARY replied the five-year terms are staggered so one or two come up every year.

CHAIR HUGHES asked if there were term restrictions.

MR. O'LEARY replied he didn't believe so.

MR. O'LEARY continued to review ARRC facts. The railroad must be self-sustaining and it does that with significant freight, passenger, and real estate activities. The year-round passenger services makes the railroad eligible for federal grant monies. ARRC is the last full-service railroad in the U.S. and they run a unique flag stop service. The railroad employs about 600 year-

round employees and about 120-150 more in the summer. About three-fourths of the employees belong to one of the five unions.

1:58:08 PM

MR. O'LEARY reviewed passenger operations that serve both the visitor industry and Alaska residents. In some areas of the state the railroad is the primary transportation.

CHAIR HUGHES asked how often service comes through those communities that rely primarily on the railroad.

MR. O'LEARY replied the Hurricane Turn service runs five days a week throughout the summer months and weekly and monthly during the winter.

He referred to the blue and gold colored bar chart on slide 4 that shows the number of passengers that ride on ARRC railcars and the cruise line railcars. He said the flagship service has been Anchorage to Fairbanks and return but there is also daily service to Whittier and Seward. This is a growing business

CHAIR HUGHES asked if vehicles can be put on the Hurricane Turn train.

MR. O'LEARY replied the Hurricane Turn Train is just passenger service.

2:01:09 PM

MR. O'LEARY said the second and larger leg of the railroad's financial stool is the freight operations. The colored bar graph on page 5 represents the types and tonnage of bulk freight the railroad moves. Each of the lines of business represented on the graph has its own story, he said, but the trend from 2008 to 2018 has been significantly downward. In 2018, the tonnage moved was roughly half of what was moved ten years earlier. The drop in bulk petroleum shipments is the most significant. The refinery outside of Fairbanks was closed in about 2014 and now the only petroleum product that is moved comes from the Port of Anchorage to the Interior. The other significant drop was coal for export. There has been no coal for export since 2016. 2017 was the exception to the downward trend when a large DOT project required a lot of gravel for the O'Malley Road project.

2:03:40 PM

SENATOR WILSON noted the comparatively small drop in gravel movement and commented that rail is still the cheapest way to move heavy freight throughout the state.

MR. O'LEARY agreed that ARRC is at a competitive advantage to move large quantities of heavy, bulky freight. Gravel has been relatively consistent because it is driven by federally funded DOT road projects. He expressed hope that 2019 would be better with the completion of projects that were started in 2018.

CHAIR HUGHES asked if ARRC proactively works with companies that might bring the railroad business. She cited new technology to burn coal without the emissions as an example that might reopen the coal market in Alaska.

MR. O'LEARY said yes; ARRC is very interested in replacing the tonnage losses and is working with existing and new customers to facilitate bringing new commodities to market. "Part of our mission is economic development for the state and we want to be there as a tool for different industries and different customers to be able to develop resources," he said.

[2:07:22 PM](#)

CHAIR HUGHES asked if the railroad had talked about the new coal burning technology with the Usibelli Coal Mine Company.

MR. O'LEARY said he wasn't aware of the particular technology, but he would follow up.

CHAIR HUGHES expressed hope that the railroad would expand its business horizons.

SENATOR MICCICHE asked if ARRC has an assumption as to the bottom on freight in the future or is there potential for the existing ugly trend to continue.

MR. O'LEARY said they are guardedly optimistic that they have hit the bottom. They have been working with an entity in Southcentral Alaska to move greater quantities of petroleum products northbound. That service is scheduled to start in 2020. He said ARRC is also seeing its support of oilfield services improving.

SENATOR MICCICHE asked if they have evaluated the potential to connect to the Lower 48 to increase both exports and imports.

MR. O'LEARY said various private sector groups have talked about connecting to the Canadian rail system. It's a large project had the economics would be key to that moving forward. He added that it is important to recognize that the Alaska Railroad is

connected to the Lower 48 rail system through their rail barge that sails out of Seattle and Prince Rupert to Whittier. He acknowledged that the volumes are not the same as with a land connection.

2:11:55 PM

MR. O'LEARY turned to slide 6 titled "The Bottom Line." He explained that the railroad's books are kept similar to private industry. An historical look at net income reflects a large increase in 2017. They have been able to maintain positive earnings with the exception of 2016 when they were in a dispute with the Municipality of Anchorage. The dispute is resolved for now and the revenues were doubled for 2017. They have kept earnings at a level to maintain infrastructure. They are waiting for numbers from their actuaries to close out 2018.

2:14:52 PM

SENATOR KIEHL asked for a ballpark estimate of revenues most years.

MR. O'LEARY said total revenue for 2017 was \$187.5 million and that's generally where it has been. Generally, freight revenue is falling and passenger revenue is increasing, although the growth in passenger has not offset the decline in freight.

SENATOR KIEHL calculated \$165 million to \$170 million in costs and asked what the split is for operating capital.

MR. O'LEARY replied their capital budget has ranged from \$20 million to \$40 million annually.

SENATOR KIEHL asked if some of the federal grant revenue can be used for capital expenditures or if it's limited to salaries and benefits.

MR. O'LEARY said it's a mix. Some of the federal formula money is used for operating expenses and direct capital projects but the majority is used to pay debt service on bonds that were issued in 2006 and 2007 to support an accelerated track rehabilitation program.

CHAIR HUGHES asked if it's typical for railroads to receive about 30 percent of their revenue from federal grants.

MR. O'LEARY said he couldn't say but he would guess that the grant percentage for other entities would be significantly higher.

CHAIR HUGHES asked him to verify that. She also asked if all trains receive some federal subsidy.

MR. O'LEARY said the majority of passenger providers are subsidized, some significantly. The ARRC has a different financial model because it uses the same track for passenger and freight movement.

[2:20:05 PM](#)

CHAIR HUGHES asked how the federal subsidy for rail compares to the federal subsidy for a highway.

MR. O'LEARY said he didn't know.

CHAIR HUGHES asked if someone from ARRC served on the commuter rail task force that the previous administration formed.

MR. O'LEARY said ARRC was not on the taskforce, but they served as support. He agreed to follow up with her office to show what they had.

CHAIR HUGHES said her interest is based on the need for alternate routes in the event of another earthquake or other incidents on the road system.

[2:22:44 PM](#)

MR. O'LEARY turned to slide 7 titled "Employee Reductions." He said with the drop in freight movement, it became clear that employee costs would need to be reduced. To that end, about 250 positions have been eliminated since 2008. This has resulted in some changes in the way ARRC does business and the functions they provide.

He said the next slide highlights some federal issues and the regulatory environment in which the railroad operates. He listed some of the numerous agencies the railroad deals with and the number of requirements they fall under given their activities. For example: Transit Asset Management is a federal requirement for passenger railroads that has helped ARRC get a handle on their deferred maintenance. Positive Train Control is an unfunded federally mandated safety overlay required of all larger class I and passenger railroads. He said the research and development project is part of that and will be completed by the extended alternate schedule of 2020. Partial funding has come from about \$13 million in federal grants.

Because the railroad runs year-round service, it is the recipient of federal formula funding. This has helped to annually maintain and replace buildings, bridges, 656 miles of track, and 2 million ties.

[2:27:27 PM](#)

MR. O'LEARY described the railroad's real estate holdings as its third financial leg and not so secret weapon. When the railroad was transferred from the federal government, it came with 36,000 acres of land. About half of that is used for operating activities and the other 18,000 acres is available at fair market value for lease, permit or other use. This income is a buffer for the up and down cycles in both the freight and passenger business. He expressed appreciation that the legislature last year authorized the railroad to dispose of properties. He noted that the Ship Creek development was slowly improving. Other real estate activity includes establishing a wetlands mitigation bank and compromise on right of way and exclusive use easement issues.

[2:30:39 PM](#)

SENATOR KIEHL asked if railroad land would be used as wetlands mitigation for other DOT projects.

MR. O'LEARY replied that railroad land would be put into a wetlands mitigation bank and the credits would be used for railroad projects or they could be purchased by DOT or any other entity in need of wetlands credits.

SENATOR KIEHL asked if the 18,000 acres available for real estate use includes the right of way leases or easements.

MR. O'LEARY clarified that the acreage used for operations includes the rights of way. The other 18,000 acres is available for lease or permit.

SENATOR KIEHL offered his understanding that the railroad earns income from the use of the rights of way.

MR. O'LEARY said that's correct.

SENATOR KIEHL asked how much of the 18,000 acres not used for operations was currently under lease or option.

MR. O'LEARY said about 3,000 acres are either leased or under permit.

SENATOR WILSON requested a list and the cost of land and improvements the railroad leases from the state to ensure that the state is also receiving fair market value.

MR. O'LEARY said he wasn't aware of anyplace that the railroad was leasing land from the state.

SENATOR WILSON responded that the train depot at the Anchorage Airport is leased for about \$2,000 a year. He said that is not fair market value and he'd like to see the state get fair market value for the land it leases.

MR. O'LEARY said he would follow up with the leased property information. He addressed the fair market value issue by drawing a parallel to the work the railroad is doing with different utilities to avoid raising rates precipitously. He said the railroad has utility permits that expired 20 years ago and the rates haven't been raised since then. Work is ongoing to get to fair market value over time, he said.

[2:36:37 PM](#)

CHAIR HUGHES asked if the railroad has limits like DOT as to the amount it can annually increase rents or leases.

MR. O'LEARY answered no; they're trying to work cooperatively to bring rates up to fair market value over time.

CHAIR HUGHES asked if the requirement to charge fair market value is in statute.

MR. O'LEARY answered yes.

CHAIR HUGHES asked if the railroad pays fair market value to lease private, Native corporation or federal land that it crosses.

MR. O'LEARY said he would follow up with the information.

[2:38:22 PM](#)

SENATOR MICCICHE asked if the airport terminal was in service and, if so, for what portion of the year.

MR. O'LEARY estimated that the depot at the Anchorage Airport is used 4-5 days a week throughout the summer months, primarily by the cruise lines.

CHAIR HUGHES asked if the depot is used just once a day throughout the summer.

MR. O'LEARY said yes.

CHAIR HUGHES characterized that as limited use. She asked if the railroad received state assistance to build the facility.

MR. O'LEARY replied those were federal monies earmarked by the late Senator Ted Stevens.

[2:40:04 PM](#)

MR. O'LEARY continued the presentation showing graphics of some of the damage caused by the November 30, 2018 earthquake. He applauded the railroad employees for getting the trains back in service about 50 hours after the earthquake. The slides showed damage alongside the track near Houston, damage to the Anchorage Operations Center, and sloughed ground near Houston that revealed buried railroad tracks.

MR. O'LEARY displayed four graphics of the January 15, 2019 derailment. He said it appears that a failed bearing on a leased tank car resulted in over 7,000 ties being shredded. He again lauded the work of the railroad employees. They worked in sub-to return the train to service in about 70 hours.

CHAIR HUGHES asked if all the inspections had been done on schedule

MR. O'LEARY replied the comprehensive investigation is ongoing to ensure that this does not happen in the future. It should be complete in the next month or so.

CHAIR HUGHES asked him to send a copy of the results to her office and she would distribute it to the committee.

SENATOR MICCICHE asked if there was a monitoring system that alerted the engineer that the truck was being dragged across the ties for three miles.

MR. O'LEARY said there are detectors on the line but they didn't pick this up. The engineers were alerted when the air went out of the system. As a result of this derailment, ARRC is looking at newer technologies that might detect something like the derailment more quickly.

[2:45:17 PM](#)

MR. O'LEARY pointed to the bullet points on slides 17 and 18 that show what's next in passenger service. He said passenger service in 2019 will probably be better than the 3-4 percent projected growth over 2018. The railroad is engaging in more hospitality and tourism partnerships that removes over 7,000 motor coaches from Alaska highways. Anyone who has driven on the Seward, Glenn, or Parks highways can appreciate that, he said. The railroad is also working to expand their specialty trains beyond the beer trains and kids' Halloween trains in Anchorage and Fairbanks.

SENATOR KIEHL asked if the specialty trains cover their costs.

MR. O'LEARY replied most of them do and if they don't, they aren't run again.

SENATOR KIEHL pointed out that a roundtrip ticket from Anchorage to the state fair is \$20 and a roundtrip ticket to the Wasilla depot is over \$100 in the season.

MR. O'LEARY clarified that the specialty trains he was referring to were the Beer trains, Halloween trains, and Valentine trains. The fair train is subsidized and even though those sponsorships have become more difficult to find in the tighter economy, they feel it is worthwhile to continue to provide that service.

[2:48:19 PM](#)

MR. O'LEARY directed attention to the bullet points on slide 19 that highlight the work the railroad is doing to grow its freight business. Tankage is being built in Fairbanks and improved in Anchorage to move more refined petroleum to the Interior. The interline barge service includes the longest rail-haul in North America. There are military opportunities in Fairbanks with the F-35s and there are some things at Clear Air Force Station, he said.

MR. O'LEARY said the railroad has followed with interest the quest to get natural gas to Fairbanks to help reduce energy costs. In 2016 the Alaska railroad became the first railroad in the nation to be authorized to move LNG by rail. With a number of other railroads watching, the demonstration project made eight round trips to Fairbanks with loaded LNG containers. There has also been significant first responder training along the railbelt. At this point ARRC wants whoever is supplying the gas to know that the railroad can assist in moving large quantities of LNG. He noted that a 5 million gallon LNG storage tank will be ready for service in Fairbanks this summer.

[2:51:53 PM](#)

MR. O'LEARY emphasized that the Alaska Railroad is very important to the state. Alaska is woefully lacking in infrastructure and the railroad is a key piece of the logistics puzzle to move freight and passengers, he said. The railroad exists to serve its customers and to facilitate development. He said we sometimes have to stand our ground but we want to work with stakeholders and groups to help them and the railroad to be successful. If the Alaska railroad is a successful and strong entity, it will be there to help the state in any development projects it has.

He thanked the committee for inviting him to give the presentation.

CHAIR HUGHES commented that she didn't know if it made money but the photography with the train was always very good. She referenced his earlier comment about cautioning photographers against using the tracks as a prop and asked if ARRC suggests they instead use the unused tracks in the Palmer and Sutton areas for their photographs.

MR. O'LEARY replied, "We don't like people on rail period."

CHAIR HUGHES said she figured that would be his answer.

SENATOR WILSON questioned why he didn't comment on the Seward Passenger Dock.

[2:54:33 PM](#)

MR. O'LEARY thanked him for bringing that up. He said it was an inadvertent omission because it's a "big deal" for the Alaska Railroad. The three docks they have in Seward are for coal, freight, and passengers.

CHAIR HUGHES noted that the information was on Slide 9.

MR. O'LEARY related that from his perspective the 1966 Seward Passenger Dock is on hospice care. It requires between \$0.5 million and \$1 million a year to maintain and its usable life is still estimated to be just five more years. This dock is a critical link for not only the Alaska Railroad but also the Southcentral and Interior visitor industry. More than 200,000 visitors are anticipated to cross this dock in 2019 despite it being on its last legs. Several years ago the railroad received some federal money to do a master plan for Seward and the first

recommendation was to address the dock issue. ARRC has since been working with the various stakeholders to figure out the path forward. In recent years they have received some head tax dollars for maintenance and planning and they hope that several million is in the budget to keep this project moving forward.

[2:57:33 PM](#)

SENATOR WILSON asked if ARRC had worked with the administration on their annual budget request.

MR. O'LEARY responded that ARRC is not subject to the Executive Budget Act and the only discussion they have had relates to the possibility of using head tax monies for this project. Responding to a further question, he said they met with the Office of Management and Budget several years ago to reiterate their request.

CHAIR HUGHES asked how the head tax works.

MR. O'LEARY offered his understanding that the state collects the head tax and disburses the funds according to an allocation procedure, with the state keeping a portion that is available for appropriation.

CHAIR HUGHES asked if the railroad is already receiving the maximum or if it could receive a little more to complete the Seward project.

MR. O'LEARY clarified that they have received funds just one year. The allocation process isn't entirely clear to him, he said.

CHAIR HUGHES asked if part of ARRC's appropriation request this year is to receive a portion of the head tax.

MR. O'LEARY replied, "It's been an area they wanted to highlight that we'd be very appreciative of those monies to keep this process moving."

[3:00:29 PM](#)

CHAIR HUGHES asked Senator Kiehl to enlighten the committee as to how the head tax works.

SENATOR KIEHL related that the railroad does not get a regular disbursement. Rather, once the formula is worked through, there is usually money remaining that is subject to legislative appropriation. His understanding is that is what the railroad is

seeking on a year-by-year, project-by project basis, not an annual appropriation.

CHAIR HUGHES summarized that the existing formula is used to distribute funds to local municipalities, not the railroad.

SENATOR MICCICHE commented on the challenges mounted that some municipalities weren't utilizing the funds entirely for cruise passenger-related services. He asked whether the Seward Passenger Dock upgrade would pass that vetting and if it was directly related to the cruise ship industry.

MR. O'LEARY replied it would most certainly qualify, even under the recent ruling regarding the use of head tax monies.

SENATOR MICCICHE asked if the terminal was currently used for cruise ship passengers.

MR. O'LEARY answered yes; the dock currently has over 200,000 passengers passing through it every year.

CHAIR HUGHES asked for clarification that the dock itself, not the terminal, would have that traffic.

MR. O'LEARY replied the passengers disembark the cruise ship onto the dock and through the terminal.

CHAIR HUGHES opined that would pass the head tax test.

SENATOR MICCICHE clarified that he was asking the question for the public, not for his own information. He described the project as very important. He added, "We're very proud of our Alaska Railroad and [its] performance in challenging times." He committed to do what he could to ensure the success of the railroad.

CHAIR HUGHES thanked Mr. O'Leary for the presentation.

[3:04:08 PM](#)

There being no further business to come before the committee, Chair Hughes adjourned the Senate Transportation Standing Committee meeting at 3:04 pm.