

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

January 27, 2022

1:33 p.m.

MEMBERS PRESENT

Senator Robert Myers, Chair
Senator Mike Shower, Vice Chair
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Click Bishop
Senator Peter Micciche

COMMITTEE CALENDAR

SENATE BILL NO. 166

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state infrastructure projects, including construction, major maintenance, and port and transportation projects; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 166

SHORT TITLE: G.O. BONDS FOR INFRASTRUCTURE PROJECTS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/22	(S)	READ THE FIRST TIME - REFERRALS
01/18/22	(S)	TRA, FIN
01/27/22	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

NEIL STEININGER, Director
Office of Management and Budget
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Presented SB 166 and answered questions on General Obligation (GO) Bonds: State Infrastructure Projects, on behalf of the administration.

DEVEN MITCHELL, State Debt Manager
Treasury Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Answered questions on General Obligation (GO) Bonds during the hearing on SB 166.

RYAN ANDERSON, Commissioner Designee
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska

POSITION STATEMENT: Answered questions GO Bond projects on behalf of the department during the hearing on SB 166.

JOHN BINDER, Deputy Commissioner; Executive Director
Alaska International Airport System (AIAS)
Department of Transportation and Public Facilities (DOTPF)
Anchorage, Alaska

POSITION STATEMENT: Answered questions on federal eligibility for the Wasilla Airport GO Bond project during the hearing on SB 166.

CHAD HUTCHISON, Director of State Relations
University of Alaska, Fairbanks
Fairbanks, Alaska

POSITION STATEMENT: Answered questions on the University of Alaska Fairbanks GO Bond project for Bartlett and Moore Halls during the hearing on SB 166.

ACTION NARRATIVE

[1:33:34 PM](#)

CHAIR ROBERT MYERS called the Senate Transportation Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Kiehl, Shower, and Chair Myers.

SB 166-G.O. BONDS FOR INFRASTRUCTURE PROJECTS

[1:34:15 PM](#)

CHAIR MYERS announced the consideration of SENATE BILL NO. 166 "An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state infrastructure projects, including construction, major

maintenance, and port and transportation projects; and providing for an effective date."

[1:34:47 PM](#)

NEIL STEININGER, Director, Office of Management and Budget, Office of the Governor, Juneau, Alaska, on behalf of the administration, stated that SB 166 would support General Obligation (GO) Bonds: State Infrastructure Projects for communities throughout the state. This GO Bond package is part of the governor's proposal for capital expenditures for the state. This bill fits in with the governor's priorities, timing, and staging of projects to prepare the state for incoming federal infrastructure funds. It would also help ensure that community projects move forward. The administration plans to finance capital projects via the capital budget, supplemental appropriations, issuance of GO Bond, and the federal infrastructure funding in the next several years. All the projects fit into the midterm GO Bonds and represent needs brought to the governor by communities throughout Alaska.

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SENATOR SHOWER recalled that the committee discussed a GO Bond bill last year. He asked if SB 166 contained the same projects.

MR. STEININGER answered that this GO Bond list was new, although it contains some of the same projects, including the Bartlett and Moore Hall and Craig Harbor projects. He said the administration used a different approach when selecting projects for this bill, but it is similar to the overall GO Bond issuance proposed.

SENATOR SHOWER said he thought it had changed.

[1:38:21 PM](#)

MR. STEININGER offered that the state has \$1.3 billion in overall debt capacity. This proposal would issue \$325,000,000 in GO Bonds, definitely within the state's debt capacity. He advised that the debt service in the out years would be approximately \$20,600,000 to \$20,700,000 annually. This would provide the state with an affordable option and the means to leverage low-interest rates when the state's savings could earn considerably more.

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SENATOR KIEHL asked if he had an overall sense of what portion of the projects would be under construction in one, three, or five years.

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MR. STEININGER estimated roughly 50 percent of the projects would be constructed in the near term, such as fire halls. He stated that, as with other GO Bond packages, some projects would take time to execute fully.

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SENATOR SHOWER referred to the \$10,000,000 slated for the Port of Nome - Deep Draft Port. He recalled this project is a high-interest project regarding national security and fisheries development in the Arctic. He recalled the state would need to provide significantly more than \$10,000,000 to receive \$280,000,000 from the federal government. He asked for clarification on what funds were required to develop the project.

MR. STEININGER said he did not recall the total project cost. He explained that the \$10 million was for federal matching funds. He recalled a recent announcement from the US Army Corps of Engineers about funding for this project. These matching funds will help leverage the project now that the US Army Corps of Engineers funds are forthcoming.

SENATOR SHOWER stated he was interested in the status of the state's allocation process. He acknowledged the importance of the Port of Nome project.

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SENATOR KIEHL explained he was interested in the timing because interest rates were beginning to climb. He said he has questions on private activity and interest rates on bonds.

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CHAIR MYERS said the committee could discuss that matter now.

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SENATOR KIEHL said he did not recall the state issuing GO bonds that had a private activity qualifier in the past. He asked if that was something the state had previously done.

MR. STEININGER deferred to Mr. Mitchell, the state's debt manager.

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DEVEN MITCHELL, State Debt Manager, Treasury Division, Department of Revenue, Juneau, Alaska, answered that the fiscal

note relates to an analysis that must occur for all municipal bond issues under consideration for tax exemption. He stated that private use issues could lead to a bond issue being categorized as something other than being fully tax-exempt. For example, one would expect a public school or a road open to any traveler always to be tax-exempt. However, a facility that has private entities leasing, such as a boat harbor, such that private activity could lead to bonds being subject to the Alternative Minimum Tax (AMT). This means certain investors would need to pay income tax on the income from those bonds, which would lead to a higher interest rate.

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MR. MITCHELL explained that some of the GO Bond projects on the list might have private activity, but it would be a small percentage of the total.

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SENATOR KIEHL asked whether historically state GO bonds have been subject to the Alternative Minimum Tax (AMT). He asked for the interest rate delta.

MR. MITCHELL explained that the private activity rules have evolved. There has been a tightening of the projects classified as subject to the AMT. Thus, the state has avoided having AMT series bonds on the GO Bond level. For example, the Alaska International Airport System terminal projects, where private airlines or concessions lease space, would be subject to the AMT, just as for harbor projects. However, several airport projects in SB 166 for airport improvements would be fully tax-exempt.

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MR. MITCHELL related that although the state has not had a pattern of issuing AMT bonds in the past, it is not unusual for municipal port, harbor, and bond projects to be subject to the tax. The US has experienced an extraordinarily low-interest-rate environment. Interest rates are at the bottom quartile of all time and probably in the bottom 10 percent. He acknowledged the trend of rising interest rates over the last year was focused on the short end of the yield curve. He elaborated that when bond issues are sold, the principal matures each year throughout the bond issue. Each one has an interest rate correlated to its year of maturity. Generally, the interest rates rise from the yield curve. On the short end, interest rates have raised one-half a percent, and on the long end of 30 years, it would be more like 15 to 20 basis points or 15 percent. He said the expectation is

that rates could rise over the next year. Banks and financial institutions predict increased interest rates of 1 to 1.5 percent and 25 to 50 basis points on the long end. The fiscal notes reflected interest rates that were 50 basis points higher than what could be achieved today to hedge against future rising interest rates.

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SENATOR SHOWER asked what the bottom 10 percent of interest rates meant. He wondered about the effect world events, such as Ukraine or the dollar losing its status as the world reserve currency, would have on GO Bonds. He expressed reluctance in issuing GO Bonds when the world continues to be in turmoil.

MR. MITCHELL answered that being in the bottom 10 percent means that interest rates would be higher 90 percent of the time. The state is in a unique position in terms of world events since the Alaska Permanent Fund provides a broad-based, diverse asset allocation fund invested for the long term. Thus, Alaska is naturally hedged against world events in some ways. Even if subject to the AMT, issuing bonds that qualify for tax exemption provide a significant advantage. On its face, if the state had the money in the bank and invested in similar securities that were taxable, the state would make more money than it would pay in interest expenses. He acknowledged that would take fiscal discipline, but it is a smart financial move to have a debt program when the state has access to tax-exempt financing.

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SENATOR SHOWER asked when the interest rate would become locked in.

MR. MITCHELL answered that the interest rate is not locked in until the bonds are sold. Thus, the state would be exposed to interest rates, credit ratings, and tax risks to the extent of future changes. Still, in his experience, GO Bonds take a long time to realize maturity regarding project development and expenditure of proceeds. For example, the 2002 Transportation Act sold the last issue of over \$100,000,000 in 2010. It took a decade to spend the money. He agreed that interest rates could change drastically in 5 to 10 years. He characterized the GO Bonds as a thoughtful way to accommodate a capital program with a financial tax advantage versus cash. He opined that it was worth considering on a conservative basis. He cautioned against overborrowing, but certainly, the state is not in that position.

SENATOR SHOWER said he wanted the record to reflect this.

[1:54:19 PM](#)

CHAIR MYERS turned to the specific General Obligation Bond (GO) projects in SB 166, beginning with Craig Harbor, [Reference No. 63333 for \$8,300,000].

SENATOR KIEHL asked what process the committee would use to consider these GO Bond projects.

[1:54:59 PM](#)

MR. STEININGER offered to briefly explain each project.

CHAIR MYERS agreed that would be sufficient.

MR. STEININGER said the Craig Harbor project for \$8,300,000 would provide matching funds to complete the project.

CHAIR MYERS asked whether this project was underway.

[1:55:42 PM](#)

MR. STEININGER explained that the city purchased the property and has access to some money but it needs an additional \$8,300,000 to commit and complete the project. He stated that other funds support the overall project cost.

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SENATOR KIEHL recalled that this project was included in the GO Bond package for \$4.5 million last year, but the figures have almost doubled in cost. He asked what changed in the overall cost and the administration's position on the project.

MR. STEININGER replied that the administration proposes to fully fund the project. As the committee may recall, the governor's GO Bond proposal last year contained significantly more projects, but not every project received full funding. This would provide the total amount needed.

MR. STEININGER said, as Mr. Mitchell mentioned, the state has an opportunity to take advantage of low-interest rates. He explained that capital projects supported by unrestricted general funds were not taking advantage of the low-interest rates. He said the administration supports the financing mechanism to achieve the projects but does not believe it is prudent to spend unrestricted general funds (UGF) that could be earning money to pay down the debt. He summarized that it came down to the financing mechanism rather than any issue with the project.

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SENATOR SHOWER asked him to provide specific project timelines, including when he anticipated that the GO bond funds would be allocated and the construction timeframe. He wondered why the state was considering issuing \$300 million in GO bonds when federal infrastructure funding is forthcoming.

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MR. STEININGER stated that he would not give a robust view of the project timeline, but he offered to report back to the committee with supporting documents. While the federal infrastructure bill will bring substantial funds to the state, including projects the US Army Corps of Engineers recently identified, these projects are primarily federal government priorities, except for the Surface Transportation Program or Village Safe Water Program. He related that the state could not provide input to prioritize the projects. Thus, the GO Bond package allows the administration to make Alaska-centric prioritizations. Another benefit is that the GO Bond proposal can include projects ready to be executed, whereas the federal allocations will take time to work through the process. He stated that the state was staging projects and funding in the regular capital budget, the GO Bond package, and some projects at the federal level.

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SENATOR SHOWER wondered whether it was wise to bond for \$300 million since the state does not know which projects will be funded in the federal Infrastructure and Investment and Jobs Act (IIJA).

[2:03:06 PM](#)

CHAIR MYERS turned to the Craig Mariculture Infrastructure project, [Reference No. 64164 for \$5,000,000].

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MR. STEININGER explained that this would provide matching funds for a federal grant to fund the Craig Mariculture Processing Facility. It also helps address policy considerations for future food security in Alaska to help build a more sustainable future.

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CHAIR MYERS asked whether this would fall under the AMT or if the project would be tax-exempt.

MR. STEININGER deferred to Mr. Mitchell.

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MR. MITCHELL responded that to the extent the mariculture industry for-profit businesses were using the facility, it could be subject to an AMT. He characterized it as similar to a boat harbor that leases its slips to private parties or businesses. The private activity would result in the tax status being slightly worse than if the building was a fully governmental public building.

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CHAIR MYERS turned to the Kenai River Bluff Stabilization, [Reference No: 64165 for \$6,500,000].

MR. STEININGER explained that this would provide match assistance to the City of Kenai for a federal grant to support the Kenai Bluff Stabilization Project. In addition, the City of Kenai has secured \$4 million for this \$30 million project.

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SENATOR KIEHL asked for an overview of the project, including the number of river miles and materials needed.

MR. STEININGER said he was unsure of the number of miles of riverbank that this project would stabilize.

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CHAIR MYERS turned to the Ketchikan International Airport Terminal, [Reference No. 64163 for \$7,500,000].

MR. STEININGER explained that the state owns the runway, but the City of Ketchikan manages the airport terminal. This would provide a grant to the city to enhance capacity and improve the safety and efficiency of travel and operations at the Ketchikan International Airport. He said the City of Ketchikan also provides funding for this project. He related his understanding that the project was in progress.

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SENATOR KIEHL wondered if the runway resurfacing listed on the backup was appropriate for GO Bond or if it was eligible for Airport Improvement Program (AIP) funds.

MR. STEININGER deferred to Commissioner Designee Anderson.

[2:07:53 PM](#)

RYAN ANDERSON, Commissioner Designee, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, explained that runway or taxiway projects were typically eligible for AIP funds. It can be advantageous to use state funds since the state can accomplish the projects quicker in the state process by combining steps and working them concurrently, but the federal process is more cumbersome.

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SENATOR KIEHL wondered if GO Bonding was the best way to finance the airport projects.

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CHAIR MYERS turned to the Knik Arm Port Infrastructure project, [Reference No. 55043 for \$175,000,000].

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MR. STEININGER explained that Knik Arm Port Infrastructure would provide \$175 million for the Knik Arm Port Infrastructure Project, which includes the Port of Alaska, Port Mackenzie, and connecting transportation links. He said this project does not provide a specific distribution between the two ports. The state would look to the two ports to coordinate the port infrastructure in a manner best for the region.

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SENATOR SHOWER emphasized that the two entities have ongoing issues and have not agreed on the project allocation. He highlighted that he questions this funding allocation since no port authority exists. He related that each entity needs approximately \$1 billion to accomplish the waterfront infrastructure. He acknowledged that the project is necessary, but the committee might need to drill down to figure out the allocation. He asked if the administration had any suggestions.

MR. STEININGER answered that the administration would like the two entities to come together and decide what is best for the entire region, including goal-oriented collaboration between the two entities. He commented that the committee's suggestion to hold a hearing to talk through the solutions is one reason the project was included.

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SENATOR SHOWER suggested that the administration delete the language that refers to a nonexistent regional port authority and require a Memorandum of Understanding (MOU) between the entities to determine how to divvy up the \$175 million. He

expressed concern that this proposal would create tension between the two entities.

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CHAIR MYERS turned to the Kodiak Fire Station, [Reference No: AMD 64199 for \$15,000,000].

MR. STEININGER explained that this would provide \$15,000,000 to replace the Kodiak Fire Station damaged in the 2018 Southcentral earthquake. He related that it was located within the tsunami hazard zone. The City of Kodiak has funded site selection, pre-development, concept design, and geotechnical site analysis for a new fire station.

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SENATOR SHOWER asked if the funds were enough for the total project.

MR. STEININGER offered to research this and respond back to the committee.

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CHAIR MYERS turned to the Nenana Fire Hall, [Reference No. 64169 for \$5,000,000].

MR. STEININGER said this would provide \$5 million to construct a new fire hall.

CHAIR MYERS noted that the City of Nenana also contacted him about the project.

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SENATOR SHOWER remarked that the Nenana Fire Hall, located in a remote area on the Parks Highway, is falling apart.

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SENATOR KIEHL concurred. He said the photos show the fire hall is worn out. He asked how the administration compiled the list of public safety facilities for GO Bonding. He noted that the fire hall in Haines also needed to be replaced.

MR. STEININGER explained that the administration reviewed public safety needs regionally, staying within a target range of bonding capacity. He acknowledged that the administration was not trying to solve every public safety need in this GO Bond package.

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CHAIR MYERS turned to the Port of Nome - Deep Draft Port, [Reference No. 62451, for \$10,000,000].

MR. STEININGER explained that the overall cost for all three phases of the Port of Nome project was \$642 million, with \$417 million in federal funding and \$225 million in non-federal receipts. He reported that Phase 1 estimates were \$397 million, with \$250 million in federal receipts. The state would use this funding in collaboration with the US Army Corps of Engineers to achieve the required match. He added that the state is investigating whether it can accommodate some matching funds with in-kind activities.

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SENATOR SHOWER asked whether this request would provide \$10 million towards the non-federal funding.

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MR. STEININGER answered that is correct. He reported that the non-federal portion of Phase 1 of this project is \$147 million.

SENATOR SHOWER remarked that the state would still be \$137 million short. He said he did not recall the amount contributed by corporations, the unorganized borough, or the community.

MR. STEININGER responded that the \$10 million GO Bond funds would start the project, but he was unsure of the amount of community funding for the project. He agreed that additional funding would be needed to complete the project.

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SENATOR SHOWER asked for the Phase 1 federal match amount.

MR. STEININGER responded that the federal funding for Phase 1 was \$250 million, and the remaining portion was \$147 million.

SENATOR SHOWER requested more information on the federal, local, and state funding breakdown for the Port of Nome - Deep Draft Port project. He expressed concern that the state would invest \$10 million in the project, but the remaining matching funds might not materialize. He characterized this project as economic development that is good for the state regarding national security issues. He predicted that this would be a 50-year project. These are the types of projects the state should invest in for many reasons, including national security, arctic strategy, resource, and private development.

MR. STEININGER agreed to provide more information.

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CHAIR MYERS turned to Warren "Bud" Woods Palmer Municipal Airport Taxiway, [Reference No: 64168 for \$6,500,000].

MR. STEININGER explained that this would provide \$6.5 million for the Palmer Municipal Airport for taxiway work on runway 10-28.

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SENATOR KIEHL pointed out that this project already includes \$500,000 in federal AIP funds. He asked what portion of the project was eligible for federal AIP funds.

MR. STEININGER answered that the administration would like to use GO Bonds for some airport projects because state money allows more flexibility and expediency.

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SENATOR KIEHL asked whether the state retains that flexibility when the project has already received some federal aviation funding.

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COMMISSIONER DESIGNEE ANDERSON responded that the state still has advantages even when the project funding is mixed funding. He explained that the federally funded project requirements are very strict. Thus, projects can be build faster using state funds than the federal process since it might restart environmental documents. He related that another advantage with state funds was expanded flexibility. He was unsure where the project was ranked in the overall availability of federal AIP funding since over 230 airports in the state compete for these funds. Using GO Bonds fund this project means that the Palmer taxiway construction work will get done.

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SENATOR KIEHL asked whether the taxiway work would use AIP competitive funding or AIP entitlement funding.

COMMISSIONER DESIGNEE ANDERSON responded that he was unfamiliar with the specific AIP source. Still, typically there is some AIP discretionary and entitlement funding, depending on the airport project ranking on the list.

SENATOR KIEHL remarked that it might be worthwhile to determine whether the project would use AIP competitive funding. He spoke in support of the Palmer airport expansion project. However, as Mr. Steininger remarked, these are projects best funded with GO Bonds rather than UGF to allow the state to engage in arbitrage. He emphasized that the difference between the 6 percent federal AIP match and 100 percent of the project was too significant to make up for arbitrage.

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SENATOR SHOWER recalled that during last year's GO Bond bill [SB 74] discussions, the committee discovered that some projects were already funded. He asked whether every one of the GO projects in SB 166 was currently unfunded.

MR. STEININGER responded that last year's issue arose when the administration listed several airport projects already slotted for AIP funding. However, that is not the case this year. He explained that the City of Palmer requested the Palmer Municipal Airport Taxiway Construction project. Some of the projects have other sources of funding, such as the US Army Corps of Engineers federal funding for the Port of Nome - Deep Draft Port project. However, the GO Bond funds do not fully fund the projects. Most of the projects in SB 166 are supplemented by other funds to achieve the entire project rather than the GO Bonds fully funding them.

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SENATOR SHOWER reiterated that last year the committee learned that some of the GO Bond projects [in SB 74] were already slated for funding. He asked for verification that this project needs GO Bond funding and is not scheduled for other funding.

MR. STEININGER answered yes.

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CHAIR MYERS turned to the next project, the Seward Freight Dock Expansion and Corridor Improvements, Reference No: 62613 for \$5,000,000.

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MR. STEININGER explained that the existing Alaska Railroad dock in Seward was constructed in 1966 and predicted to become unusable by 2023 or 2024 without reconstructing portions of the dock.

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CHAIR MYERS stated that some funds were put towards the project in 2017 and 2019. He asked whether this was enough to make the dock serviceable or if this would partially fund the overall reconstruction.

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MR. STEININGER answered that some parts of the dock would be reconstructed and expanded. He remarked that he could not predict whether the dock would need additional work, but this GO Bond funding will address significant repairs and enable the dock to be used.

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SENATOR SHOWER highlighted that the state has food security needs. He recalled briefings that raised concerns about whether freight could be moved from Seward because the Alaska Railroad lacked rail cars. He asked whether the GO Bond funds would be spent, but the facility would not be usable. He wondered if the funding was misallocated and would be better used at the Port of Whittier.

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MR. STEININGER said he would research this and report back to the committee. He characterized it as a much broader question on how this project fits into the overall Seward structure.

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SENATOR SHOWER asked Commissioner Designee Anderson to comment on this.

[2:32:22 PM](#)

COMMISSIONER DESIGNEE ANDERSON stated that enhancing the Seward Dock would provide resiliency to the Alaska Railroad. He acknowledged that he was not familiar with the project details, but he characterized it as an actual, tangible project.

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SENATOR SHOWER maintained his interest in obtaining more information and the assurance that rail traffic will happen if the Seward Freight Dock Expansion project moves forward.

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SENATOR KIEHL recalled that the Seward [Cruise Ship Terminal], the adjacent dock, plans to expand from 600 to 1000 feet. This project would expand the Alaska Railroad dock from 700 to 1000 feet. He expressed concern that the Seward Cruise Ship Terminal Project was \$70,000,000, but this project cost funding is

\$10,000,000. He recalled the Alaska Railroad dock received \$5 million in prior funding, and SB 166 would provide an additional \$5 million. Although the projects seem comparably scaled, the overall cost is substantially different. He asked for the scope and scale of the Alaska Railroad dock project.

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MR. STEININGER responded that this project's scope would expand the Alaska Railroad dock from 620 to 1,000 feet, bringing the dock into deeper water. He advised members he could not compare the two projects' costs since he was not familiar with the Seward Cruise Ship project.

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SENATOR SHOWER asked whether the committee could obtain the figures for the two projects.

CHAIR MYERS agreed to provide the information.

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CHAIR MYERS turned to the next project, the Wasilla Airport Runway and Terminal, Reference No: 64167, for \$14,100,000.

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MR. STEININGER explained that this project's scope would extend the runway to 5,100 feet to accommodate larger aircraft. The City of Wasilla owns and operates the airport, and the community requested \$14.1 million in funding. The Army National Guard Aviation Group has recommended a runway of at least 5,000 feet to accommodate aircraft used for pilot training and for use as an alternate airport.

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SENATOR KIEHL stated that the project backup indicates that the runway extension would serve larger military aircraft. However, the federal Infrastructure Investment and Jobs Act (IIJA) provides significant defense funds. He asked whether the state has reviewed those funding categories.

MR. STEININGER offered to research this and report back to the committee. He explained that the administration was assessing the federal infrastructure funding. For example, the US Army Corps of Engineers provided some funding for these GO Bond projects. He advised that future releases of the infrastructure bill could supplement these projects but may have match requirements. Some of the GO Bond funds could be used for matching funds. He related that as that information becomes

available, the administration will update the process and inform the legislature of any changes. However, he was unaware of any funds that would cover the project at this time.

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CHAIR MYERS asked Mr. Binder to weigh in on the Wasilla Airport Runway and Terminal Project.

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JOHN BINDER, Deputy Commissioner, Executive Director, Alaska International Airport System, Department of Transportation and Public Facilities (DOTPF), Anchorage, Alaska, asked for clarification that the committee was interested in whether the Wasilla Airport Runway and Terminal Project was federal AIP eligible.

CHAIR MYERS answered yes.

MR. BINDER noted that the state does not own this airport, so he was not wholly familiar with the project. However, some items on the capital request have several things that could be AIP eligible, depending upon the type of activity at the Wasilla Airport. He elaborated that extending the runway, adding lease lots, and tie-downs may be AIP eligible, but the Federal Aviation Administration (FAA) will determine that eligibility. Typically, if airports have large aircraft attempting to land but cannot land due to the runway length, or the airplane cannot tie down due to a lack of apron space, those costs would be AIP eligible. However, he stated he could not currently make that assessment on the Wasilla Municipal Airport project.

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SENATOR SHOWER related his understanding that Palmer was not interested in expanding its airport, but the City of Wasilla is willing to do so. The Wasilla Airport does not currently have any significant commercial operations, and it lacks a control tower. He pointed out that Big Lake, located a few miles away, has a dirt runway with a very high-frequency omnidirectional range (VOR) short-range radio navigation system for aircraft, so training occurs there. He characterized the Wasilla Municipal Airport as a small, general aviation airport. The City of Wasilla would like to expand the airport to attract larger commercial aircraft. He was unsure of its standing on the FAA AIP list. He surmised that the project would likely qualify for federal AIP funding since the construction involves expanding the apron, building a passenger terminal, and expanding the

runway to support larger aircraft such as the US Army National Guard or commercial aircraft.

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CHAIR MYERS turned to the next project, the Juneau Access, Reference No: 64162, for \$25,000,000.

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MR. STEININGER stated that the following two projects were directly managed by the Department of Transportation and Public Facilities (DOTPF). He deferred to Commissioner Designee Anderson to provide details. He explained that the Juneau Access request for \$25 million would improve transportation in and out of Juneau.

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COMMISSIONER DESIGNEE ANDERSON characterized the Juneau Access Project as a legacy project to consider transportation options in the Northern Lynn Canal. These funds would explore options to improve the transportation corridor. He related his understanding that previous analysis considered all modes of transportation, and he did not believe this would be any different. The goal would focus on providing people with additional transportation options, reducing state and user costs, and reducing travel times. Again, state funds would provide flexibility that federal funds lack due to restrictions. He stated that the GO Bond funds could also be used as matching funds.

[2:42:46 PM](#)

CHAIR MYERS asked whether these funds were to study the project and get it up and running in anticipation of using federal IIJA funds for construction.

COMMISSIONER DESIGNEE ANDERSON answered that he described one scenario, but he did not believe the administration had made any final decisions on the Juneau Access project.

[2:43:20 PM](#)

SENATOR KIEHL asked if GO bonds could be used for studies or if the funding must be used for construction.

MR. STEININGER responded that the administration believes the Juneau Access Project is bondable, noting that the bill went through a legal review before introduction. The \$25 million in GO Bond funds would potentially support a construction project. He deferred to the commissioner to speak to the Juneau Access

project phases. However, he pointed out that all projects require some planning and coordination that attribute to the overall project cost.

[2:44:34 PM](#)

SENATOR SHOWER asked if the funding for the Juneau Access Project would provide a \$25 million study for a "Bridge to Nowhere" rather than actually laying steel or concrete.

COMMISSIONER DESIGNEE ANDERSON answered that first, the department would ensure that the department completed the appropriate work. He said DOT&PF would have no reason to reproduce work. He maintained that state funding has different requirements, and the department uses that flexibility to provide cost-effective analyses. He acknowledged that the department uses a process to ensure that it completes the necessary planning, environmental, permitting, and right-of-way work before any construction happens. He assured members that the department intends to put the money to good use. He offered his view that a substantial amount of work has already been done on this project.

[2:47:01 PM](#)

SENATOR SHOWER responded that he must explain the funding to his constituents. He emphasized that this project was challenging since it would use GO Bonds and not construct the road. He related his expectation that GO Bond projects would be shovel-ready.

[2:48:11 PM](#)

CHAIR MYERS turned to the Northern Access to the University Medical District (UMED) project, Reference No: 43056, for \$22,000,000.

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COMMISSIONER DESIGNEE ANDERSON explained that these funds would get the Northern Access to the University Medical District (UMED) project moving again. He stated that these funds could be handed off to the Municipality of Anchorage (MOA) or the University of Alaska for completion. He related that right-of-way and utilities were sequential steps in the federal process but using GO Bonds and the state process would allow the department to combine processes. For example, the department can reduce some project timelines from three to seven years to two to three years using state funds. He anticipated cost savings by coordinating the overall efforts.

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SENATOR KIEHL asked whether the Department of Transportation and Public Facilities (DOTPF) has secured the right-of-way for this project.

COMMISSIONER DESIGNEE ANDERSON answered no.

[2:50:30 PM](#)

SENATOR KIEHL asked for the status of the local municipal approval and the roadway length.

COMMISSIONER DESIGNEE ANDERSON offered to research and report back to the committee. He recalled substantial discussion on whether the final roadway would be a 2 or 4 lane road and if it would include pedestrian overpasses.

[2:51:04 PM](#)

SENATOR KIEHL said he heard the proposed roadway was short.

CHAIR MYERS surmised from viewing Google maps that the project length was roughly a mile.

[2:51:32 PM](#)

CHAIR MYERS turned to the University of Alaska Fairbanks - Bartlett Hall and Moore Hall Modernization and Renewal, Reference No: 45644, for \$18,650,000.

MR. STEININGER explained this \$18.7 million project would make significant upgrades throughout the Bartlett Hall and Moore Hall buildings. He deferred to Chad Hutchison to respond.

[2:52:09 PM](#)

CHAD HUTCHISON, Director of State Relations, University of Alaska, Fairbanks, Alaska, stated that this project would renovate the two largest university residence halls. Bartlett Hall and Moore Hall are approximately eight stories high and house 650 undergraduate and graduate students. He explained that the guts of the building are rotting from the inside out, and it suffers from an imminent total water and sewer system failure. He related that the department had done the design work, and construction could occur after voter approval.

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SENATOR SHOWER asked whether there were any matching funds from the University of Alaska Fairbanks or the local community. He asked whether this represents the total project cost.

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MR. HUTCHISON answered that the project was wholly state-funded, that there is no federal match or private funding. He offered to provide any additional information members needed.

[2:55:02 PM](#)

SENATOR SHOWER asked whether UAF had any backup funding planned if the GO Bond package failed.

MR. HUTCHISON answered that the university would consider the capital budget as an avenue to explore. He characterized that this project was the highest need throughout the UAF system. He pointed out that the university houses wildfire firefighters during the summer.

[2:56:24 PM](#)

SENATOR KIEHL related his understanding that this project would completely replace the plumbing and lighting. He asked whether this would bring the Bartlett Hall and Moore Hall residences up to speed or if other repairs would be necessary.

MR. HUTCHISON answered yes; this project will completely demolish the stacked restrooms renovate the ventilation, electrical, and plumbing systems to ensure compliance with building codes. He reported that the systems routinely fail, so the facility's team has been scrambling to maintain minimum standards. This project should adequately house students for decades to come.

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CHAIR MYERS held SB 166 in committee.

[2:59:15 PM](#)

There being no further business to come before the committee, Chair Myers adjourned the Senate Transportation Standing Committee meeting at 2:59 pm.