

HOUSE FINANCE COMMITTEE  
April 29, 2024  
9:07 a.m.

[9:07:10 AM](#)

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 9:07 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp

MEMBERS ABSENT

Representative Bryce Edgmon, Co-Chair  
Representative DeLena Johnson, Co-Chair  
Representative Frank Tomaszewski

ALSO PRESENT

Zach Young, Staff, Representative Frank Tomaszewski; Bill O'Leary, Chief Executive Officer, Alaska Railroad Corporation; Preston Carnahan, Regional Vice President, Destinations, Royal Caribbean Group.

PRESENT VIA TELECONFERENCE

Becky Long, Self, Talkeetna; Jillian Simpson, President and CEO, Alaska Travel Industry Association; Tom Tougas, Self, Seward; Scott McCrae, President and CEO, Explore Fairbanks, Fairbanks; Laura Stats, Self, Juneau; Margaret Stern, Programs and Communications Director, Susitna River Coalition, Talkeetna; Lois Epstein, Self, Anchorage; Randy Ruaro, Executive Director, Alaska Industrial Development and Export Authority.

SUMMARY

HB 122 RAILROAD CORP. FINANCING

HB 122 was heard and HELD in Committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb122

HOUSE BILL NO. 122

"An Act authorizing the Alaska Railroad Corporation to issue revenue bonds to finance the replacement of the Alaska Railroad Corporation's passenger dock and related terminal facility in Seward, Alaska; and providing for an effective date."

9:08:34 AM

ZACH YOUNG, STAFF, REPRESENTATIVE FRANK TOMASZEWSKI, explained that the bill dealt with railroad revenue bond authorizations as well as some other bond authorizations for the Alaska Industrial Development and Export Authority (AIDEA). The bill would provide for the financing of the replacement of the passenger dock and cruise ship terminal in Seward. The current dock was built in the early 1970s and was in a state of somewhat disrepair. The number of loads on the dock had been limited and money had been invested to enable the dock to remain functional in the interim prior to the dock replacement. The bill brought forward an additional \$75 million in bond authorization. In 2022, there had been \$60 million in bonds authorized but none of the bonds had yet been issued. The initial project had been slightly smaller, but a new cost analysis had been done with a refined scope. The new estimated dock replacement cost was \$137 million. The project would commence in the fall of 2025.

Mr. Young reviewed the sectional analysis (copy on file):

Section 1. Beginning Page 1, Line 9 Authorizes the Alaska Railroad to issue and additional \$75 million in bonds up to a total of \$135 million to replace the passenger dock and related terminal facility in Seward. Ensures that the passenger dock must

accommodate Alaska marine highway vessels with side loading doors.

Section 2 Beginning Page 2, Line 15 Authorizes the Alaska Railroad to issue up to \$58 million in bonds to complete phase one of the port MacKenzie Railroad extension.

Section 3 Beginning Page 3, Line 7 Authorizes AIDEA to issue \$300 million in bonds for statewide critical minerals and rare earth metals infrastructure projects.

Section 4 Beginning Page 3, Line 27 Sets an immediate effective date.

Mr. Young shared that four amendments to the bill had been adopted by the House Transportation Committee. He detailed that the first amendment decreased the bonding request from \$90 million to \$75 million. He explained that the initial scope of the project was thought to be more costly. The second amendment was offered to ensure that Alaska Marine Highway System (AMHS) vessels would be able to use the dock. The current design would enable the dock to accommodate AMHS vessels and the loading of vehicles on those vessels. There were currently no AMHS schedules that ended or originated in Seward, but the project would keep it open as an option.

Mr. Young explained that the third amendment added \$58 million in bond authorization for phase 1 of the Port MacKenzie rail extension. The fourth amendment added \$300 million in bond authorization for AIDEA to critical minerals and rare earth metal infrastructure projects.

[9:13:34 AM](#)

Mr. Young provided a summary of the legislation. The bill had several different components of bonding authority that would allow state quasi-governmental organizations to complete infrastructure projects.

BILL O'LEARY, CHIEF EXECUTIVE OFFICER, ALASKA RAILROAD CORPORATION, appreciated the opportunity to speak to the committee about an issue that was important to the Alaska Railroad and visitor industry. He stated it was truly a statewide project that impacted Southeast Alaska up to

Interior Alaska. He provided a PowerPoint presentation titled "Alaska Railroad: Seward Passenger Dock and Terminal Replacement Project," dated April 29, 2024 (copy on file). He began on slide 2 and relayed that the Alaska Railroad owned three docks in Seward including a freight dock (currently undergoing improvements), a coal export loading facility, and the passenger dock. He detailed that the railroad was putting a substantial amount of money into the dock annually for maintenance and it was reaching the end of its useful life. He reiterated that the dock was critical infrastructure for the state and visitor industry.

[9:15:47 AM](#)

Mr. O'Leary moved to slide 3 and discussed the funding and timeline. The railroad had worked on the project for a number of years with multiple cruise lines, primarily Royal Caribbean Group. He noted that a representative from the Royal Caribbean Group was also present to support the legislation. He relayed there had been a couple of false starts on the project leading to bond authorization in 2022. The railroad was requesting an additional \$75 million in bond authorization. He pointed out that the Alaska Railroad was owned by the state but it was separate and distinct from the state from the perspective of its legal and financial obligations. He underscored that no state revenues would be used to pay the debt. He explained that the debt would be paid with from dock revenues from the Alaska Railroad. He noted that the railroad's enabling statutes required any public debt issuance to be approved by the legislature.

Mr. O'Leary relayed that the railroad had a project and the alignment necessary to move forward. He stated that the bond authorization was critical to complete the project. The project cost was \$137 million to be funded with a combination of tax exempt bonds and railroad equity/cash. The security for the debt would be a long-term berthing agreement with the Royal Caribbean Group that was close to completion. There was alignment between the railroad as owner and operator of the dock, the Seward Company as the developer, and the Royal Caribbean Group as the prime user of the dock. There would be substantial changes to the dock to account for continued growth in the cruise industry for Southcentral and other areas. He explained it would involve the need for railroad assets such as passenger cars to

support some of the growth coming out of Whittier and growth planned for Seward.

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Mr. O'Leary turned to slide 4 showing an image of the existing dock and terminal facility, which was located on the dock. Slide 5 showed a mockup of the proposed new dock including fixed and floating components and a larger improved terminal building on land.

Mr. O'Leary provided closing comments on the project. He underscored that no state funds would be used for the project. The revenues from the dock would repay the debt. The debt was secured by long-term berthing agreements with the Royal Caribbean Group. He relayed that the project was very important to the Alaska Railroad and the visitor industry.

[9:20:01 AM](#)

Co-Chair Foster moved to invited testimony.

PRESTON CARNAHAN, REGIONAL VICE PRESIDENT, DESTINATIONS, ROYAL CARIBBEAN GROUP, thanked the committee for the opportunity to support the bill. He shared that Royal Caribbean Group was a global company that had operated in Alaska for many decades out of the Port of Seward. The company and its guests loved Alaska and the company looked forward to seeing the project move forward. The cruise line as the dock user and railroad as the operator were closely aligned on the project. He stated it was the right solution at the right time for Alaska and the company.

[9:21:49 AM](#)

Co-Chair Foster OPENED public testimony.

BECKY LONG, SELF, TALKEETNA (via teleconference), spoke to Section 3 of the AIDEA bonding amendment. She stated that the provision giving AIDEA \$300 million in bonding authority was too broad and represented a blank check without public oversight or public transparency. She stated there were no precise definitions for critical mineral and rare earth infrastructure. Additionally, there was no explanation on the limit or how often bonding would occur. She remarked there had been recent revelations about AIDEA

transgressions by economists, nongovernmental organizations, the public, and media sources that showed AIDEA had a lack of transparency and documented job creation inaccuracies and should not get the blank check. She stated that AIDEA loan practices had been shown to be unnecessary, wasteful, and expensive. She suggested that a legislative committee should look to reform AIDEA's practices for better public policy.

[9:24:27 AM](#)

JILLIAN SIMPSON, PRESIDENT AND CEO, ALASKA TRAVEL INDUSTRY ASSOCIATION (via teleconference), spoke in favor of the bill to support the Alaska Railroad in securing financing to replace the dock in Seward. She relayed that Alaska Travel Industry Association (ATIA) was a trade association with over 600 member businesses working in Alaska tourism across the state. The association supported transportation initiatives that enhance and support tourism opportunities and improve visitor industry access. She stated that the dock in Seward was a vital piece of infrastructure for a significant portion of the state's summer visitors. In 2023, the state saw over 1.7 million cruise ship visitors, representing about 60 percent of the summer visitation and half of the year-round visitation. She elaborated that almost one-third of the total cruise ship passengers cross the Gulf of Alaska to Southcentral. She detailed there had been approximately 191,000 passengers in Seward and many of the passengers embarked on land tours. The direct spend by all visitors in 2022 was \$3.9 billion with an estimated economic impact of \$5.6 billion. Of the direct spend, cross gulf cruise passengers were responsible for almost \$500 million in direct spending in Alaska. She noted the amount did not include the cost of the cruise or travel to Alaska. The association supported and welcomed the significant investment in the Seward dock and terminal. She concluded that the investment would provide statewide benefits to local economies in all five regions of the state.

Representative Galvin asked if 191,000 individuals were all Royal Caribbean passengers.

Ms. Simpson responded that the 191,000 individuals were all cruise ship passengers from Royal Caribbean, Norwegian Cruise Line, and potentially some smaller cruise companies.

[9:27:42 AM](#)

TOM TOUGAS, SELF, SEWARD (via teleconference), spoke in full support of the bonding for the Alaska Railroad. He shared that he had lived in Seward for 32 years and operated a company called Major Marine Tours. The Alaska Railroad dock was falling apart and without the dock Seward would be greatly negatively impacted. He detailed that Seward was the gateway to the Railbelt to Anchorage, Denali, and Fairbanks. He explained that the absence of the dock would impact all of the communities along the Railbelt. He stated that Royal Caribbean was unique in its continual support for local entrepreneurs. The dock also supported the longshoremen responsible for tying up the ships and loading passenger baggage on and off the ships. He remarked that the bill was an important step forward for the Alaska Railroad and Royal Caribbean. He fully supported the bill.

Representative Josephson asked if Seward residents worried about excess. He asked if there was a point where too much of a good thing could be a problem. He used Juneau as an example where there was substantial support for the cruise industry, but he was told that five cruise ships per day seemed to be enough.

Mr. Tougas answered that the dock was located away from the town of Seward; therefore, the local community was not as impacted. He explained it was a turn port where passengers disembarked and boarded. He detailed that during the night there was a lot of unloading of baggage but because the dock was located away from town, the community was not impacted. The vast majority of the passengers were on trains or buses by the time most Seward residents woke up. He noted that one of the limiting factors in Seward was the limited number of hotel rooms. He noted that people did stay in Seward, there were rental car companies, and people went to the Sealife Center, but most people coming off the ships were on their way north by 10:00 a.m.

[9:31:08 AM](#)

SCOTT MCCRAE, PRESIDENT AND CEO, EXPLORE FAIRBANKS, FAIRBANKS (via teleconference), supported the legislation. He explained that Explore Fairbanks was the destination marketing organization for Interior Alaska comprised of about 360 partners. The project would benefit Seward and the entire Railbelt. He relayed that cruise van tour

passengers accounted for 45 percent of the summer visitors in the Interior. He highlighted the impact to the economy including hotels, restaurants, shopping, etcetera. He remarked that many visitors who come to Alaska turned into repeat visitors. He stated it was a good project, good for Alaska, and had the company's full support.

Representative Stapp encouraged Mr. McCrae to invite visitors to come to Fairbanks.

[9:33:17 AM](#)

LAURA STATS, SELF, JUNEAU (via teleconference), was completely supportive of the funding for the Alaska Railroad dock. She stated it was a well thought out bill and the dock was needed. She was adamantly opposed to the AIDEA amendment that had been added by the House Transportation Committee. She stated that in mid-March in the final half hour of the committee meeting, Representative McKay hastily announced the amendment. She believed other committee members had been caught off guard by the amendment and there had been no public comment on the item. She stated that with the \$300 million preauthorization, AIDEA would not be required to have its projects open to the public nor would the legislature really know what projects the agency would be working on. She encouraged the committee to strike the AIDEA portion of the bill. She thanked the committee.

[9:35:35 AM](#)

MARGARET STERN, PROGRAMS AND COMMUNICATIONS DIRECTOR, SUSITNA RIVER COALITION (SRC), TALKEETNA (via teleconference), explained that the SRC commented on behalf of more than 14,000 individuals, groups, and businesses who support its work. She relayed that SRC supported the communities and ecosystems sustained by the resources of the Susitna River watershed. She shared that SRC was opposed to the bill provision that would provide AIDEA with \$300 million in bonding authority for anything related to critical mineral development. She stated the provision was an unnecessary and a seemingly unrelated add-on to the bill that had minimal opportunity for public comment. She remarked that it reflected an open-ended permission, which amounted to a blank check. She added that AIDEA had a poor track record of completing projects with minimal to no public involvement.

9:37:04 AM

LOIS EPSTEIN, SELF, ANCHORAGE (via teleconference), shared that she is a licensed engineer, small business owner, and consultant for tribal and community entities on mining projects in the Ambler mining district and near Haines. She opposed the bill provision giving AIDEA \$300 million in bonding authority for critical mineral development. She stated that there was a great deal of misinformation regarding critical minerals and the need for mining those minerals in Alaska. She remarked that the industry's frequent statements that the U.S. needed increased mining in Alaska to transition to clean energy and that the minerals should be produced in the U.S. should not be accepted uncritically. For example, Chile, Australia, and Peru had the greatest copper reserves globally. She remarked that copper smelting largely took place in China and the U.S. would still be dependent on China for the minerals. She stated that in terms of domestic production, Southwestern U.S. and Utah copper mines located closer to population centers that supplied workers and copper smelters, making mining in the other locations cheaper when compared to Alaska. Additionally, she stated that the Southwestern mines would likely operate much longer than the 13-year projected lifetime in the Ambler mining district.

Ms. Epstein stated it was inaccurate to assume that minerals must be mined to ensure they were available for use in clean energy. She relayed that there were at least three options that reduced the need for minerals before turning to mining, especially in ecologically sensitive areas important to subsistence in Alaska. She listed the alternative options as recycling, redesigned products, and recovery from tailings. She elaborated on each of the options. She highlighted that AIDEA had a small board of directors appointed by the governor who were not approved by the legislature. She stated that some of the members may have conflicts of interest and may not have enough expertise to oversee costly loan and bond decisions. She urged the committee to remove the AIDEA provision in the bill. Additionally, she asked the committee to consider amending AIDEA's statute so that AIDEA had an approved decision making structure before it used bonds or loans and Alaskan's money.

Co-Chair Foster CLOSED public testimony.

[9:40:52 AM](#)

Representative Cronk asked if there was anyone from AIDEA online.

Co-Chair Foster replied affirmatively and listed individuals available online.

Representative Hannan stated her understanding that Carnival Cruise Line would be the long-term tenant at the Seward dock. She asked Mr. O'Leary how long it would take to pay off the bonds and if the lease agreement followed suit.

Mr. O'Leary replied that the Railroad was currently contemplating a 30-year agreement with Royal Caribbean that would match precisely with the term of the debt.

Representative Hannan asked if the lease agreement precluded competing cruise ships from using the dock. She observed that it appeared the dock would have a double berth. She asked if the dock use was within the railroad's authorization capacity.

Mr. O'Leary answered that the goal was to have an open dock that Royal Caribbean would have preferential access to. The railroad would be actively soliciting and trying to bring additional cruise lines to the facility.

Representative Hannan asked if the Alaska Marine Highway System (AMHS) would be allowed to use the dock at the same time as tour boats. She understood there were some security protocols in terms of how a dock was secured when cruise ships were in port, but that AMHS did not have the same protocols.

Mr. O'Leary replied that he did not know. He relayed that an amendment to the bill specified that the structure of the dock would be able to accommodate AMHS traffic, but to the best of his knowledge there had been no further discussion about specifics.

Representative Hannan knew that an addition to the bill in the House Transportation Committee included Section 2. She asked if the Alaska Railroad Board had been seeking bonding

authority for \$58 million for the Port MacKenzie rail extension.

Mr. O'Leary replied that the railroad had been supportive of the Port MacKenzie rail extension project. He detailed that it had originally been a Mat-Su Borough project that received around \$180 million in state general funds culminating around 2014, but state funding had dried up and the project had not been completed. The railroad was supportive of infrastructure in the state and additional rail infrastructure in the specific area. The railroad did not make a request for the specific bond authorization [in the current version of the bill]. He relayed that should a revenue source materialize, the railroad would be interested in utilizing it. He explained that in order to issue bonds for a project like the Port MacKenzie extension, there would have to be an incremental revenue source related to the particular project, which had currently not been identified.

[9:46:01 AM](#)

Representative Hannan asked if \$58 million would complete the railroad extension and allow the railroad to pursue a financial arrangement with someone. Alternatively, she asked if \$58 million was merely putting more money into a project without a tenant and it would take more funding to complete it and make it economic to produce some revenue.

Mr. O'Leary responded that the railroad currently estimated the completion of the Port MacKenzie rail extension would cost about \$275 million to \$300 million.

Representative Ortiz referenced Mr. O'Leary's earlier statement that the Seward dock was intended to be used by other cruise companies in addition to Royal Caribbean. He asked for the number of ports of call scheduled for Seward and if Royal Caribbean currently made up 100 percent of the total. He asked about a weekly average.

Mr. O'Leary recalled it was around 80 to 90 berthings at the Seward dock. He explained it was a turn port where the cross gulf cruises terminate. He detailed that the Royal Caribbean Group had been the largest user. In 2023, other companies using the dock included Norwegian Cruise Lines and Viking Cruise Lines. He noted that Norwegian Cruise

Lines was moving to the new dock currently under construction in Whittier.

Representative Ortiz stated his understanding that the dock was open to other cruise lines outside of Royal Caribbean.

Mr. O'Leary responded affirmatively.

[9:49:34 AM](#)

Representative Galvin asked how many of the 80 to 90 berthings were Royal Caribbean.

Mr. Carnahan responded the currently there were four ships from the Royal Caribbean Group, Royal Caribbean International, Celebrity Cruise Lines, and Silversea Cruises resulting in approximately two ships weekly through the season (approximately 40 berthings in a season). He added that Seward is a wonderful place and although there were other options to go to Whittier, Royal Caribbean Group wanted to be in Seward. He elaborated that out of the roughly 200,000 guests in the future, Royal Caribbean's commitment to fully cover the bond was about 75 percent of the 200,000. The company was committing to ~140,000 going through the Port of Seward and the remainder would be comprised of the other aforementioned third parties. He expounded that "we're looking at one or two days a week on one side of the pier that this looks at." In terms of the ability to commercialize the facility, there was a lot of opportunity. He relayed that Royal Caribbean regularly worked with and had agreements with all of the major cruise lines. He stated the companies worked together to visit the same port.

Representative Galvin thought it sounded like the Royal Caribbean Group would account for about half of the berthings in the coming summer and the other half would be from other companies. She thought about the importance of competition to keep the price down and to ensure there was equal access to all. She appreciated there had been an amendment to the legislation to factor in AMHS guests. She thought it sounded like there were still details to be worked out regarding security issues. She recognized that Royal Caribbean clearly had one partner that was ready to stand in. She asked if there were other partners that were part of the consideration and if there had been thought

given to having an agreement that was inclusive of all potential users.

[9:53:01 AM](#)

Mr. O'Leary responded that the Royal Caribbean Group would be committing to bringing enough passengers and revenue to fund the debt service on the Seward dock. The railroad's goal was to bring additional passengers and users to the dock; however, they were not part of the potential calculus of the arrangement. He relayed that from the railroad's perspective and mission and the ability to issue tax exempt debt to support the dock, it was clear the dock needed to be available to other cruise lines and users. The railroad had focused primarily on the Royal Caribbean Group for the particular arrangement as the largest user committed to a 30-year period. He relayed that the railroad would be delighted to have other agreements with other cruise lines, but those had not yet manifested.

Representative Galvin asked if the railroad would be responsible for lining up the other ships once the dock was built. Alternatively, she asked if Royal Caribbean be responsible for working with the other cruise lines. She asked who would be responsible for dictating the cost and usage once the dock was built.

Mr. O'Leary replied that the railroad would be.

[9:55:28 AM](#)

Representative Josephson asked how the bond would be paid. He asked if a special fee would be collected that was part of the agreement with Royal Caribbean.

Mr. O'Leary replied affirmatively. There would be an improvement fee included in the agreement with Royal Caribbean. The fee would also be charged to other facility users as well.

Representative Josephson asked if the cruise industry was making any of its own capital investment.

Mr. O'Leary replied that the cruise industry would pay the improvement fee, but no direct capital investment.

Representative Josephson asked for verification that the original bill did not contain Sections 2 or 3.

Mr. O'Leary agreed.

Representative Josephson referenced the \$58 million [Port MacKenzie] railroad extension. He stated that Mr. O'Leary had noted that previously there was \$100 million spent to clear a right-of-way for a future railroad extension. He asked if the right-of-way was currently mostly clear.

Mr. O'Leary responded that \$180 million or so in state funds were used to build the embankment and almost everything with the exception of putting the rail down. He noted there was still some dirt work to be done. The completion of the project would be to connect Port MacKenzie to the Alaska Railroad's main line around the Houston, Alaska area.

Representative Josephson asked how the \$58 million figure in the bill -that according to Mr. O'Leary would leave the project short \$250 million or more - had been determined.

Mr. O'Leary answered that the \$58 million was a number the railroad had developed as a next phase that could be done in the absence of full funding to complete the project.

[9:58:40 AM](#)

Representative Josephson asked if the current berthings in Seward were 80 to 90.

Mr. Carnahan replied affirmatively.

Representative Josephson estimated it was less than one per day in a typical summer. He relayed that he kayaked in Resurrection Bay and was interested to know how that would be impacted. He was trying to get a sense of the number of cruises there would be in the future.

Mr. Carnahan responded that Royal Caribbean Group planned to bring larger ships as opposed to more. He explained that there were a number of reasons, many related to efficiency, that the existing ships could not do long distances over time. The company expected the current 2,000 passenger ship to be replaced by a 4,000 passenger ship. The number and

frequency of the calls would not increase, but the number of guests would increase.

Representative Josephson clarified that he was trying to get a sense of competing interest for the space. He asked if a Juneau resident was sympathetic to the community of Seward not having too many cruise ships, the individual should not have too much anxiety for the City of Seward. He stated his understanding that the cruise ships would be larger, but there would not necessarily be three to five cruise ships coming to the port.

Mr. Carnahan answered that Juneau as a port of call was a vastly different situation where historically almost all cruises came through the city. In Royal Caribbean's work and discussion with the City of Seward and long-term residents, they were welcoming to the plans including the frequency and size of ships. The company was looking to work with the local companies and businesses to build out new capacity if it was what they wanted. Royal Caribbean was also looking to work with the railroad to add cars and work with Premier [Alaska Tours] to add buses to bring guests away if desired.

[10:01:19 AM](#)

Representative Coulombe referenced Mr. O'Leary's earlier statement that the port was currently at the end of its life. She asked if the railroad was trying to fix capacity or if the dock was falling apart and was a safety hazard.

Mr. O'Leary replied that the dock was over 50 years old and was reaching the end of its life. The railroad was investing \$2.5 million in the current year into reinforcing the dock pilings to ensure it was safe for use until the new dock could be put in place. He relayed that the new dock would be an improvement and upgrade, but the driving force behind the project was to replace an asset that had reached the end of its useful life.

Representative Coulombe referenced alignment on the project. She assumed the City of Seward supported the project, but she wondered if the city had any concerns that were addressed.

Mr. O'Leary answered that the city was supportive of the project and the city manager had testified on the city's

support in previous committees. He noted the individual had been unavailable for the current meeting.

Representative Coulombe noted the aggressive timeline with construction beginning in 2025 and the dock opening in the spring of 2026. She asked if the dock would be shut down during construction.

Mr. O'Leary responded affirmatively. He explained that demolition of the existing facility would begin at the end of the season in 2025. He explained that parts of the new dock would be built offsite and floated into place and the new dock would be ready to go by April of 2026.

[10:04:38 AM](#)

Representative Cronk asked recalled when the legislature had approved \$60 million two years earlier. He wondered how the cost increased from \$60 million to \$137 million.

Mr. O'Leary clarified that the \$60 million was the bond portion of an \$80 million to \$90 million project in the 2022 timeframe. He explained at that point the railroad had not achieved full alignment on the scope of what would be necessary and had not accounted fully for the substantial construction inflation.

Representative Cronk asked who owned Royal Caribbean.

Mr. Carnahan replied that the company was publicly traded.

Representative Cronk asked if the company was American or foreign owned.

Mr. Carnahan answered that there were a number of institutional and private investors on the U.S. public stock market.

Representative Cronk expressed frustration that no funds would be invested by Royal Caribbean and the state would build the dock so the cruise company would come even though it was already coming. He remarked there was no vision for any other [rail] extension. He asked, "are we working to, if we have them, they can build it?" He referenced transportation, military, and minerals. He clarified that he was fully in support of tourism, but much of that money did not remain in Alaska. He remarked there was the same

argument about the state not wanting to do anything for a mineral company that may be Canadian owned because the money would leave the state. He stated there was substantial interest in having the Port MacKenzie rail extension completed and a northern rail extension. He remarked that there were people who were willing to pay for those things. He was frustrated to hear the railroad was not ready to do anything in that matter, whereas it was ready to build a \$160 million dock. He was not saying it was not needed. He was frustrated there could be a focus on tourism but not minerals. He highlighted that Fort Knox Mine in Fairbanks created \$700,000 per year in jobs, thousands of related jobs, and \$250 million in tax revenue for the borough over the past 20 years, but the state did not have the vision. He stated that it was moving Alaska forward and the rail transportation was key, but the state refused to acknowledge it.

[10:08:23 AM](#)

Mr. O'Leary understood the frustration. The critical difference with the bond authorization for the Seward dock compared to some of the other rail extensions was that there was a customer willing to sign up for a 30-year agreement, which guaranteed the project could be completed. He explained that it allowed the railroad to go to the financial markets, obtain a bond, and complete the project. Whereas, with some of the larger rail extensions such as Port MacKenzie or the northern rail extension, there was significant interest, but it had not coalesced to the point where people would guarantee usage and a certain amount of annual revenue that would provide the railroad with the ability to finance the projects. He relayed that the railroad was a small organization with a small balance sheet that did not have the ability to do a "build it and they will come" approach of the magnitude necessary for the rail extensions.

Mr. O'Leary relayed that the Seward dock project had a publicly traded company with billions of dollars in revenue that was committing to paying all of the debt service on the project moving forward. The agreement allowed the railroad to move forward on the project. He understood Representative Cronk's frustrations about the rail extensions. He stated that the railroad was a large supporter of infrastructure and believed the primary thing holding Alaska back was the lack of infrastructure to a lot

of places. He communicated that in order to move forward on the rail extensions, the railroad needed partnership through the customers willing to sign longer term agreements or via the state or federal government in the form of a portion of the funding. The railroad was currently looking for federal grants for rail extensions, but a 20 to 40 percent match was far more than the railroad could handle.

Representative Cronk referenced public testimony in opposition to the bill provision related to AIDEA. He requested to give AIDEA an opportunity to defend itself.

Co-Chair Foster asked AIDEA to address any concerns that had been raised.

RANDY RUARO, EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (via teleconference), stated there had been quite a few inaccuracies provided to the committee about AIDEA's process and the amendment. He relayed that AIDEA's process was open and transparent. He reported that AIDEA had over 120 pages of regulations and statute that guided its actions and its board meetings were all publicly noticed subject to the Open Meetings Act. Additionally, the corporation's mission set by the legislature was to provide jobs and economic development. He stated that AIDEA had a good track record of that with Red Dog and other projects. The agency's loan participation program at nearly half a billion dollars had a zero default rate. He was happy to send a copy of the agency's statutes, regulations, and meeting notices to the individuals who testified.

Mr. Ruaro addressed the Section 3 amendment in the bill. He relayed that two things had occurred at the federal level driving the need for the amendment. First, the rare earth supply was centralized in China, and it was not a good national defense or state policy to be reliant on production in China. He explained that China had already taken legislative action to limit and stop exports of certain rare earth minerals including germanium to the U.S. and other countries. There were over 3,400 defense systems in the U.S. military that used rare earth minerals. He stated it was critical for national defense that the minerals were produced domestically. He stated they should be produced in Alaska under the strictest standards in the world as opposed to being produced in China using certain

power sources that resulted in a haze of black soot falling on the Alaskan Arctic.

Mr. Ruaro addressed the second item at the federal level. He explained that the federal Department of Energy had made roughly \$290 billion in loans and loan guarantees available under Title 17 to state energy financing institutions. He believed AIDEA was one of 13 entities in the U.S. that had qualified. He detailed that the \$290 billion expired in about two years, meaning there was a time press for AIDEA to be ready and able to provide match for the federal funds. In terms of projects that would be brought forward, each project would go through a due diligence process and would go to the AIDEA board with an opportunity for public comment and with legislative oversight. The projects ranged from Bokan Mountain in Southeast Alaska to Graphite One toward Nome and further out. He relayed that AIDEA did not know which projects would come forward and apply, but the agency had to be ready on a short timeline.

[10:16:20 AM](#)

Co-Chair Foster believed there would be more questions on the AIDEA section. He would add the bill to the afternoon meeting agenda. He thanked the presenters.

HB 122 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

[10:17:06 AM](#)

The meeting was adjourned at 10:17 a.m.