

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

February 27, 2024

1:35 p.m.

MEMBERS PRESENT

Representative Kevin McCabe, Chair
Representative Sarah Vance, Vice Chair
Representative Tom McKay
Representative Craig Johnson
Representative Jesse Sumner
Representative Louise Stutes
Representative Genevieve Mina

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 19

Supporting the completion of the Port MacKenzie Rail Extension and the Northern Rail Extension; supporting the increase in defensive capabilities at Fort Greely, Alaska; encouraging a renewed commitment by the Alaska Railroad to a community-minded approach to future rail expansion; and encouraging the development of critical Arctic infrastructure.

- MOVED HJR 19 OUT OF COMMITTEE

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."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HJR 19

SHORT TITLE: NORTHERN RAIL EXTENSION

SPONSOR(s): TRANSPORTATION

02/14/24	(H)	READ THE FIRST TIME - REFERRALS
02/14/24	(H)	TRA, MLV

02/22/24 (H) TRA AT 1:30 PM BARNES 124
02/22/24 (H) -- MEETING CANCELED --
02/27/24 (H) TRA AT 1:30 PM BARNES 124

BILL: HB 122

SHORT TITLE: RAILROAD CORP. FINANCING

SPONSOR(S): TOMASZEWSKI

03/17/23 (H) READ THE FIRST TIME - REFERRALS
03/17/23 (H) TRA, FIN
02/20/24 (H) TRA AT 1:30 PM BARNES 124
02/20/24 (H) -- MEETING CANCELED --
02/27/24 (H) TRA AT 1:30 PM BARNES 124

WITNESS REGISTER

JULIE MORRIS, Staff
Representative Kevin McCabe
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HJR 19 on behalf of Representative Kevin McCabe, prime sponsor.

LIEUTENANT GENERAL DAVID KRUMM, Retired
Big Lake, Alaska

POSITION STATEMENT: Gave invited testimony in support of HJR 19.

BILL O'LEARY, President & CEO
The Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HJR 19; gave a PowerPoint titled "Seward Passenger Dock & Terminal Replacement Project" during the hearing on HB 122.

MEGHAN CLEMENS, Director of External Affairs
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony in support of HJR 19.

REPRESENTATIVE FRANK TOMASZEWSKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, introduced HB 122.

ZACK YOUNG, Staff

Representative Frank Tomaszewski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave the sectional analysis for HB 122, on behalf of Representative Frank Tomaszewski, prime sponsor.

PRESTON CARNAHAN, Regional Vice President of Destinations
Royal Caribbean Group
Seattle, Washington

POSITION STATEMENT: Gave invited testimony in support of HB 122.

KATHLEEN SORENSEN, City Manager
City of Seward
Seward, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 122.

BRIAN LINDAMOOD, Vice President Engineering
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 122.

ACTION NARRATIVE

[1:35:58 PM](#)

CHAIR KEVIN MCCABE called the House Transportation Standing Committee meeting to order at 1:35 p.m. Representatives C. Johnson, McKay, Vance, Stutes, Mina, and McCabe were present at the call to order. Representative Sumner arrived as the meeting was in progress.

HJR 19-NORTHERN RAIL EXTENSION

[1:37:49 PM](#)

CHAIR MCCABE announced that the first order of business would be HOUSE JOINT RESOLUTION NO. 19, Supporting the completion of the Port MacKenzie Rail Extension and the Northern Rail Extension; supporting the increase in defensive capabilities at Fort Greely, Alaska; encouraging a renewed commitment by the Alaska Railroad to a community-minded approach to future rail expansion; and encouraging the development of critical Arctic infrastructure.

[1:38:12 PM](#)

JULIE MORRIS, Staff, Representative Kevin McCabe, introduced HJR 19 on behalf of Representative McCabe, prime sponsor, and paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

This resolution advocates for completing two pivotal rail extensions, the Port MacKenzie Rail Extension and the Northern Rail Extension, alongside critical initiatives to fortify our state's infrastructure and defense capabilities. Alaska's strategic position as the sole state bordering the Arctic Ocean highlights the significance of these endeavors, especially given recent expansions in defense infrastructure at Fort Greely.

The Alaska Railroad Transfer Act (ARTA) of 1983 reaffirmed Congress's recognition of the railroad's importance in providing freight and passenger rail service to Alaska. Recognizing the necessity of continued services and expansion to meet federal, state, and private objectives, Congress deemed the state's continued operation and expansion of the railroad a fitting public use of the rail system.

The completion of Phase 1 of the Northern Rail Extension project, including crossing the Tanana River, represents a significant milestone, bringing the rail line within 70 miles of Delta Junction and Fort Greely. This progress demonstrates our commitment to realizing the full potential of rail transportation in Alaska and lays the foundation for further expansion and connectivity.

With the United States Department of Defense expanding the anti-ballistic missile facility and the United States Army developing new training range areas to support the Stryker Brigade, ensuring seamless rail connectivity is crucial to sustaining military operations effectively. Notably, the lack of rail access at Fort Greely, the only military base in Alaska without it, underscores the urgency of this resolution.

Moreover, commendable progress by the Matanuska-Susitna Borough and the Alaska Railroad in completing

nearly two-thirds of the Port MacKenzie Rail Extension is essential. This extension will substantially reduce energy and transportation costs, improve air quality, and facilitate efficient movement of goods from tidewater to and across Interior Alaska.

Furthermore, the extension of the Alaska Railroad from Port MacKenzie to Houston, Delta Junction, and Fort Greely aligns with long-term objectives, promoting economic integration and enhancing transportation networks. These extensions offer significant economic and resource development benefits, particularly for mining operations in Delta Junction and Tetlin, as well as the agricultural industry in the Delta Junction area.

In conclusion, this resolution underscores our commitment to fostering economic development, enhancing defense readiness, and promoting community engagement in critical infrastructure projects essential to Alaska's long-term prosperity and security.

Your support for this resolution is greatly appreciated.

[1:40:10 PM](#)

CHAIR MCCABE reminded the committee that this resolution was just about the same as the resolution passed last year and the year before, and resolutions are only good for a year. He said there would be a dignitary coming for a tour of the Port of MacKenzie and he hoped to bring the resolution then.

[1:41:04 PM](#)

REPRESENTATIVE STUTES asked for confirmation that it is strictly for the rail extension, not the port.

CHAIR MCCABE confirmed that was correct.

[1:41:34 PM](#)

REPRESENTATIVE MINA asked what the projected cost was to complete the remaining 70 miles of the Northern Rail Extension.

CHAIR MCCABE responded that last year's cost was north of \$1.2 billion, and Port MacKenzie may be close to \$250 million. He stated that the tentative plan is to do it in three years.

[1:42:23 PM](#)

REPRESENTATIVE VANCE stated that she hoped for the resolution to "stand firm on its own" and that the intent is much broader than just defense.

CHAIR MCCABE replied that it could be discussed further and there could be a possibility for amendments.

[1:43:53 PM](#)

REPRESENTATIVE C. JOHNSON asked Chair McCabe who the dignitary was.

CHAIR MCCABE said he could not confirm a name yet, but the person is part of an exercise along with approximately 28 others that have been invited to give a presentation.

REPRESENTATIVE C. JOHNSON noted there could be an easy conceptual amendment if needed.

[1:45:17 PM](#)

REPRESENTATIVE MINA asked whether there have been any follow up conversations with the state's congressional delegation regarding the resolution and federal funding opportunities.

CHAIR MCCABE confirmed there had been conversations and, in addition, that he was looking for any way to find funding, matching funding, and interested parties.

[1:46:34 PM](#)

CHAIR MCCABE provided a biography for Lieutenant General Krumm, who would speak as an invited testifier.

[1:48:10 PM](#)

LIEUTENANT GENERAL DAVID KRUMM, Retired, gave invited testimony in support of HJR 19. He thanked Chair McCabe for the introduction and stated that he was honored to speak to the resolution today. He said although the views he will express are his own and not necessarily the U.S. Department of Defense

(DOD), they are informed by his time as a commander. He opined that timing could not be better to discuss the extension because the U.S. needs the infrastructure to expand its economy and better our capabilities for crisis. Having extra rail options would be a substantial improvement, he said, and heavier transport lends itself to the use of railways rather than air or road. He offered his belief that the Port MacKenzie Rail Extension would be a welcome addition for many uses.

[1:52:27 PM](#)

BILL O'LEARY, President & CEO, Alaska Railroad Corporation, gave invited testimony in support of HJR 19. He stated that the Alaska Railroad Corporation (ARRC) is in full support of the rail extension, and he opined it would fit beautifully within the railroad's economic development.

[1:54:32 PM](#)

MEGHAN CLEMENS, Director of External Affairs, Alaska Railroad Corporation, gave invited testimony in support of HJR 19. She mirrored comments made by Mr. O'Leary and added that ARRC embraced this approach to economic development, and the community involved approach is one that works well and is necessary when looking at large projects, she said. In relation to both Port MacKenzie and Northern Rail Extensions, she said there had been significant outreach to different stakeholders to put together a coalition to move these projects forward and benefit the state. She further mentioned bonding opportunities that could be useful, as projects may advance in that direction. She said ARRC had a proven track record for managing large projects successfully, which is an important role that can be provided.

[1:59:13 PM](#)

CHAIR MCCABE invited questions from committee members.

[1:59:29 PM](#)

The committee took an at-ease from 1:59 p.m. to 2:00 p.m.

[2:00:57 PM](#)

REPRESENTATIVE VANCE moved to report HJR 19 out of committee with individual recommendations and the accompanying fiscal notes.

[2:01:14 PM](#)

CHAIR MCCABE objected for the purpose of discussion.

[2:01:21 PM](#)

REPRESENTATIVE SUMNER stated he supported the resolution.

[2:01:27 PM](#)

CHAIR MCCABE removed his objection. There being no further objection, HJR 19 was reported out of the House Transportation Standing Committee.

[2:01:52 PM](#)

The committee took an at-ease from 2:01 p.m. to 2:05 p.m.

HB 122-RAILROAD CORP. FINANCING

[2:05:04 PM](#)

CHAIR MCCABE announced that the final order of business would be 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."

[2:05:20 PM](#)

REPRESENTATIVE FRANK TOMASZEWSKI, Alaska State Legislature, as prime sponsor, presented HB 122. He offered the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

The purpose of HB 122 is to enable the Alaska Railroad Corporation to secure financing for the critical replacement of its passenger dock and associated terminal facility in Seward, Alaska. By issuing revenue bonds, the Alaska Railroad Corporation can address infrastructure needs, enhance transportation services, and contribute to the economic vitality of the region.

The existing passenger dock and terminal facility play a crucial role in supporting tourism, commerce, and transportation along the scenic Alaska Railroad route. However, due to wear and aging, these facilities require immediate attention. The proposed financing through revenue bonds will allow for timely upgrades, ensuring safe and efficient operations for passengers, freight, and tourism-related activities.

The replacement project aims to enhance the overall experience for travelers, promote economic growth, and maintain the Alaska Railroad's status as a vital transportation link within the state. By investing in modern infrastructure, we can continue to connect communities, foster tourism, and support local businesses.

HB 122 represents a collaborative effort to address critical infrastructure needs while maintaining fiscal responsibility. We appreciate your support for this legislation, which will benefit Alaskans and visitors alike.

[2:07:23 PM](#)

ZACK YOUNG, Staff, Representative Frank Tomaszewski, Alaska State Legislature, on behalf of Representative Tomaszewski, prime sponsor, gave the sectional analysis for HB 122 [included in the committee packet] which read as follows [original punctuation provided]:

Section 1. Beginning Page 1, Line 5: Authorizes the Alaska Railroad Corporation to issue an additional \$90 million, for a total not to exceed \$150 million, in revenue bonds to finance the replacement of ARRC's passenger dock and related terminal facility in Seward, Alaska.

Section 2. Page 2, Line 7: Sets an immediate effective date.

[2:08:15 PM](#)

REPRESENTATIVE STUTES related that when she first heard about HB 122, she presumed ARRC was in partnership with someone involved in the repairs and rebuilding of the docks.

REPRESENTATIVE TOMASZEWSKI confirmed that ARRC is and added that ARRC staff were available for questions.

[2:09:15 PM](#)

CHAIR MCCABE noted it was a good segway for ARRC staff to join the discussion.

[2:10:02 PM](#)

MR. O'LEARY joined the discussion on HB 122 in support of the proposed legislation and presented a short PowerPoint [hard copy included in the committee packet], titled "Seward Passenger Dock & Terminal Replacement Project." He stated that the reason ARRC was present is due to railroad statutes requiring legislative approval before issuing bonds. He noted the three docks in Seward as he continued on slide 2, titled "Need for Replacement," which read as follows [original punctuation provided]:

- Current Seward dock facility is rapidly approaching end of useful life
- Seward cruise port is critical infrastructure for Alaska's travel industry: 188,124 passengers cruised to or from Seward in 2023, many adding on travels in Southcentral and Interior

MR. O'LEARY further stated that ARRC is being forced to put millions of dollars into the docks through 2025 just to keep them safe and functional.

[2:13:42 PM](#)

MR. O'LEARY continued on slide 3, titled "Funding & Timeline," which read as follows [original punctuation provided]:

2022: \$60 million in bond authorization approved

2024: Requesting additional \$75 million bond authorization

Fall 2025: Construction begins

Spring 2026: New dock and terminal complete

Bonds issued by ARRC are not a liability of the state, and no state dollars will be used for repayment; ARRC bonds will be secured by a long-term use agreement with anchor tenant Royal Caribbean Group.

The new dock and terminal facility will support the next 50 years of industry growth and visitor demand.

MR. O'LEARY stressed that it is a debt of ARRC only and no state monies can be used to pay the debt; they are revenue bonds. He quickly moved through slides 4 and 5 which showed a rendering of the new dock and terminal facilities.

[2:17:06 PM](#)

PRESTON CARNAHAN, Regional Vice President of Destinations, Royal Caribbean Group, gave invited testimony in support of HB 122 and added that he represented a number of developments throughout the Western U.S. Region, and that the dock in Seward clearly needed to be replaced. He offered his belief the right solution had been found, which is why he said Royal Caribbean Group would offer a three-decade commitment to back the project up with revenue.

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CHAIR MCCABE invited questions from committee members.

[2:18:43 PM](#)

REPRESENTATIVE STUTES inquired about the utilization of the dock and whether any other cruise companies had been consulted.

MR. O'LEARY responded that the proposal is to build a floating dock, and ARRC had discussions with those individuals who work on the docks about their concerns and how the dock could be used other than for cruise lines. He pointed out the project to widen the freight dock as well, and that the longshoremen's union has been in the loop. He further discussed the projected versatility of the docks.

[2:22:12 PM](#)

REPRESENTATIVE STUTES clarified that she wished to know whether other cruise lines or longshoremen were consulted before the plans were drawn up.

MR. O'LEARY responded that the structure of the deal included a developer, an anchor tenant, and the owner being ARRC. He clarified it is being looked at like a real estate type transaction.

REPRESENTATIVE STUTES asked whether the City of Seward was involved.

MR. O'LEARY said he could not respond to the level of detail, but Ms. Sorensen was online to answer questions.

[2:25:20 PM](#)

KATHLEEN SORENSEN, City Manager, City of Seward, addressed Representative Stutes and stated that the City of Seward had been in discussions with ARRC for years and was excited about the project. She added that there was a presentation recently to the City Council regarding the design, and other administrations have been involved.

REPRESENTATIVE STUTES referred to the cargo dock being rebuilt and asked what the timeframe was. She expressed her concern that if there were a disaster, Seward would be the next place as an ice-free port where anyone could go and must be available for cargo ships.

MR. O'LEARY explained that the cargo dock has been somewhat delayed while grants and environmental permitting are being put in place. It would be challenging to manage two dock projects at the same time and would take significant coordination, he said. He requested that Mr. Lindamood join the conversation.

[2:28:17 PM](#)

BRIAN LINDAMOOD, Vice President Engineering, Alaska Railroad Corporation, added that one of the complications was scheduling. He clarified that at any given time there must be a place for at least one ship to berth, and he confirmed there have been discussions with the development team to make sure that happens. Traffic must be maintained during construction, he said, and to make sure coordination is happening.

REPRESENTATIVE STUTES stated it alarmed her that there may not be the ability to accommodate a large cargo ship, but the priority is a cruise ship. She expressed her opinion that the dock may not be large enough to accommodate a large ship offloading goods somewhat easily.

[2:30:13 PM](#)

MR. O'LEARY affirmed that the freight dock could be used in a pinch, and there have been discussions about contingency plans in Seward should there be an issue at the Port of Alaska, but it may not be the most efficient.

REPRESENTATIVE STUTES reiterated that she hoped there would be something in place before "you start tearing everything apart."

[2:31:07 PM](#)

CHAIR MCCABE wondered about the dock itself and whether the ramp could be wider to accommodate bigger loads.

MR. O'LEARY noted that Turnagain Marine is the constructor, and the focus is not for it to only be a freight dock, but to have greater utility in the off season.

CHAIR MCCABE expressed interest in obtaining a timeline and mirrored Representative Stutes' concerns.

[2:33:32 PM](#)

MR. LINDAMOOD added that the passenger dock schedule is more filled right now, and the intent is to continue through the winter and open back up again in time for the 2026 cruise passenger season. He confirmed that the existing berth at the freight dock is not going away, but is being expanded long term, and that the project is being held up slightly.

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CHAIR MCCABE asked whether the docks were being built somewhere else.

MR. CARNAHAN stated that the dock would be built in two sections in Washington state, which he described as the closest center of excellence for that type of work. The construction is more robust than any other floating dock, he said.

CHAIR MCCABE brought up a news release about Haines and the Federal Government not paying for a \$10 million hit, and he sought to know if construction is robust enough to "take a hit and be ok with it."

MR. CARNAHAN said he could not speak on behalf of Turnagain [Marine], but in the past five years the construction company has successfully completed all the new floating cruise ship docks, and based on its portfolio, is a very robust company.

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REPRESENTATIVE STUTES asked whether the dock could accommodate the Alaska Marine Highway System (AMHS).

MR. O'LEARY replied that should AMHS plan to return to Seward, it would be at the freight docks as opposed to the cruise ship dock.

REPRESENTATIVE STUTES asked whether ARRC would work with the Department of Transportation & Public Facilities (DOT&PF) to make sure the freight dock improvements would be facilitated.

MR. O'LEARY said they had not contacted DOT&PF yet but would.

[2:39:54 PM](#)

REPRESENTATIVE VANCE commented that the project looked a little too efficient and inquired about Royal Caribbean Group's objective in giving passengers time in communities on the Central peninsula, as well as investing dollars into the economy.

[2:41:48 PM](#)

MR. CARNAHAN first referred to the dock construction and said that it was a very capable solution to handle the ship itself. He said as a company, Royal Caribbean Group is locally focused with strategic entrepreneurial partners and relies on Alaska businesses to create these partnerships. He said he believed many issues would be worked through by the time of the completion of the dock in 2026.

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CHAIR MCCABE commented about the scheduling of passengers and how the added population all at once may affect Seward.

[2:45:40 PM](#)

REPRESENTATIVE STUTES observed that the dock looked narrow and inquired whether two ships could be in at once.

MR. CARNAHAN said it is a double-sided berth and could accommodate two large passenger ships.

[2:47:09 PM](#)

REPRESENTATIVE VANCE spoke to the impacts of solid waste from larger ships and asked if he had conversations with communities in dealing with the waste.

MR. CARNAHAN said industry members have signed on to a memorandum of understanding (MOU) where they discharge no waste into the communities.

[2:48:12 PM](#)

CHAIR MCCABE announced that HB 122 was held over.

[2:48:55 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:49 p.m.