

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

February 13, 2024

1:34 p.m.

MEMBERS PRESENT

Senator James Kaufman, Chair
Senator David Wilson, Vice Chair
Senator Löki Tobin
Senator Jesse Kiehl
Senator Robert Myers

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 105

"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

SENATE BILL NO. 199

"An Act relating to access roads; relating to state land; relating to contracts for the sale of state land; relating to the authority of the Department of Education and Early Development to dispose of state land; relating to the authority of the Department of Transportation and Public Facilities to dispose of state land; relating to the authority of the Department of Natural Resources over certain state land; relating to the state land disposal income fund; relating to the sale and lease of state land; relating to covenants and restrictions on agricultural land; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 105

SHORT TITLE: RAILROAD CORP. FINANCING

SPONSOR(s) : TRANSPORTATION

03/15/23 (S) READ THE FIRST TIME - REFERRALS
03/15/23 (S) TRA, FIN
03/21/23 (S) TRA AT 1:30 PM BUTROVICH 205
03/21/23 (S) <Bill Hearing Canceled>
02/13/24 (S) TRA AT 1:30 PM BUTROVICH 205

BILL: SB 199

SHORT TITLE: STATE LAND: DISPOSAL/SALE/LEASE/RESTRICT
SPONSOR(s) : RULES BY REQUEST OF THE GOVERNOR

01/22/24 (S) READ THE FIRST TIME - REFERRALS
01/22/24 (S) TRA, RES, FIN
02/13/24 (S) TRA AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

EMMA TORKELSON, Staff
Senator James Kaufman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained the summary of changes for SB 105 on behalf of the Senate Transportation Standing Committee.

EDISON WALLACE-MOYER, intern
Senator James Kaufman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for SB 105 on behalf of the Senate Transportation Standing Committee.

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

POSITION STATEMENT: Gave a presentation on SB 105.

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

POSITION STATEMENT: Answered questions on SB 105.

KAT SORENSON, Executive Director
Seward Chamber of Commerce
Seward, Alaska

POSITION STATEMENT: Gave invited testimony on SB 105.

TOM TOUGAS, Owner
Major Marine Tours
Seward, Alaska

POSITION STATEMENT: Gave invited testimony on SB 105.

JILLIAN SIMPSON, President and CEO
Alaska Travel Industry Association
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 105.

JOSH HOWES, President
Premier Alaska Tours
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 105.

BRENT GOODRUM, Deputy Commissioner
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Introduced SB 199 on behalf of the administration.

RACHEL LONGACRE, Chief of Operations
Division of Mining, Land and Water (DMLW)
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Gave a presentation on SB 199.

HEATHER O'CLARAY, Chief,
Statewide Right-of-Way
Department of Transportation (DOT)
Juneau, Alaska

POSITION STATEMENT: Answered questions on SB 199.

MARGARET STERN, Director,
Programs and Communications
Susitna River Coalition
Talkeetna, Alaska

POSITION STATEMENT: Testified in opposition to SB 199.

ACTION NARRATIVE

[1:34:59 PM](#)

CHAIR JAMES KAUFMAN called the Senate Transportation Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Wilson, Tobin, Kiehl, Myers, and Chair Kaufman.

SB 105-RAILROAD CORP. FINANCING

[1:35:56 PM](#)

CHAIR KAUFMAN announced the consideration of SENATE BILL NO. 105 "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."

He said this is the first hearing of SB 105 in the Senate Transportation Committee

[1:36:10 PM](#)

CHAIR KAUFMAN noted that the Alaska Railroad Corporation (ARRC) requested a committee substitute for SB 105.

[1:36:18 PM](#)

CHAIR KAUFMAN solicited a motion from the committee.

[1:36:22 PM](#)

SENATOR WILSON moved to adopt the committee substitute (CS) for SB 105, work order 33-LS0606\B, as the working document.

[1:36:34 PM](#)

CHAIR KAUFMAN objected for purposes of discussion.

[1:36:45 PM](#)

EMMA TORKELSON, staff, Senator James Kaufman, Alaska State Legislature, Juneau, Alaska, explained the summary of changes for SB 105:

[Original punctuation provided.]

SB 105 Explanation of Changes, Version A to B
"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."

Section 1. Page 1, Line 5: Reduces the amount of bonding authority the Railroad is requesting from \$150 million to \$135 million.

[1:37:19 PM](#)

CHAIR KAUFMAN removed his objection. He found no further objection and CSSB 105 was adopted as the working document.

[1:37:48 PM](#)

EDISON WALLACE-MOYER, Intern, Senator James Kaufman, Alaska State Legislature, Juneau, Alaska, read from the following sponsor statement:

Sponsor Statement for SB 105 - Bill Version B

"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."

The Alaska Railroad Corporation (ARRC) owns and operates a passenger dock and an associated intermodal terminal facility in Seward, Alaska. These facilities serve cruise ships, other passenger and freight vessels; and provide cruise ship passengers who help support Southcentral Alaska's economy.

The current port in Seward was built in 1966 and is now past its design life expectancy. Until the dock can be replaced, weight restrictions have been imposed to ensure the dock can still be used safely. Further degradation of the dock will lead to increased restrictions, placing limits both on the people coming through Seward and the revenue they bring with them. The railroad, along with their longtime cruise partner, Royal Caribbean Group, have developed a plan for the Seward Port that will ensure maximum use of the port long into the future.

Senate Bill 105 will allow the Alaska Railroad Corporation to pursue the replacement and expansion of the port by authorizing the Railroad to issue an additional \$75 million in revenue bonds in addition to \$60 million the legislature authorized in 2022. This will allow the railroad to issue up to a total of \$135 million in revenue bonds for the Seward dock replacement project. The railroad is looking to finalize their construction plans and timeline this year which makes the passage of this bill within this session a priority. Once the dock is functioning, it will be a guaranteed source of revenue for the railroad, Seward and the surrounding area for many years to come.

Per the railroad statutes, the state will not be liable for any of these bonds.

[1:39:47 PM](#)

MS. WALLACE-MOYER read the sectional analysis for SB 105:

[Original punctuation provided.]

Sectional Analysis for SB 105 - Bill Version B
"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."

Section 1. Authorizes the Alaska Railroad Corporation to issue an additional \$75 million (not exceeding a total \$135 million) in revenue bonds to finance the replacement of ARRC's passenger dock and related terminal facility in Seward, Alaska.

Section 2. Sets an immediate effective date.

[1:40:23 PM](#)

CHAIR KAUFMAN announced a presentation by ARRC and the Royal Caribbean Group.

[1:40:54 PM](#)

BILL O'LEARY, President and CEO, Alaska Railroad Corporation, Anchorage, Alaska, began the presentation on SB 105, titled "Seward Passenger Dock & Terminal Replacement Project" by the Alaska Railroad and the Royal Caribbean Group. He moved to slide 1:

[Original punctuation provided.]

**Alaska
Railroad**

Seward Passenger Dock & Terminal Replacement Project
Senate Transportation Committee
Bill O'Leary, President & CEO, Alaska Railroad Corporation
Preston Carnahan, Regional Vice President,
Destinations
February 13, 20

MR. O'LEARY expressed appreciation for the opportunity to speak in support of SB 105. He noted the legislative approval for the \$60 million bond authorization in 2022 and that this discussion is about the additional increment to "make this project a reality."

[1:42:14 PM](#)

MR. O'LEARY moved to slide 2:

[Original punctuation provided.]

NEED FOR REPLACEMENT

- 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

[1:43:11 PM](#)

MR. O'LEARY moved to slide 3:

[Original punctuation provided.]

FUNDING & TIMELINE

2022: \$60 million in bond authorization approved

2024: Requesting additional \$75 million bond authorization Fall

Fall 2025: Construction begins Spring

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 explained that the project partners: the Alaska Railroad (the owner), the Seward Company (the developer) and Royal Caribbean Group (the prime customer/anchor tenant) took a "strategic pause" to come together to develop the scope, the model and the financing plan for the project. He noted the request for bond authorization was reduced from \$90 million in

2023 to \$75 million through that planning. The total request is for a \$135 million bond authorization. The plan of finance includes issuing tax exempt debt and an infusion of equity from the Alaska Railroad for a total \$137 million project.

MR. O'LEARY expressed excitement on behalf of the Alaska Railroad and emphasized that the request is time sensitive because the facility is planned to be operational for the 2026 cruise season. He stated that approval of the bond authorization would need to occur this session. He emphasized that bonds, by statute, are not obligations of the state of Alaska nor can any state dollars be used to secure or pay the debt service.

[1:46:41 PM](#)

SENATOR WILSON commented that the plan seems to be an aggressive construction time schedule. He asked if contractors and materials have been sourced. He expressed concern about the current supply chain and related construction challenges.

[1:47:21 PM](#)

MR. O'LEARY suggested deferring the question to Preston Carnahan; and observed that the current plan is to work with a contractor well versed in dock construction and materials sourcing. Once financing is in place, that contractor can move forward to execute the plan.

[1:48:06 PM](#)

PRESTON CARNAHAN, Regional Vice President of Destinations, Royal Caribbean Group, Seattle, Washington, said infrastructure remains a key component of the state's economic engine; the Seward Dock Replacement Project solves one of the challenges to the infrastructure at a crucial time. He opined that the railroads operation of the port is in everyone's best interest. Royal Caribbean sees strong demand in Alaska for the cross-gulf product from Vancouver to Seward as well, which also benefits Alaskan owned businesses. He said Royal Caribbean is a strong, capable, and responsive partner.

[1:50:16 PM](#)

SENATOR KIEHL asked for details on the plan to structure the debt for the project.

[1:50:37 PM](#)

MR. O'LEARY answered that a port user agreement between ARRC and Royal Caribbean Group has not yet been finalized. The term of the agreement and the term of the bonds are expected to be 30 years. He said rates are unknown at this point.

[1:51:19 PM](#)

MR. CARNAHAN explained that an agreement with ARRC will be reached based on a commitment by Royal Caribbean to produce a specific number of passengers or a set level of revenue that is in line with the debt structure. The level of commitment is based on 25-30-year projections based on current market trends for travelers and for interest rates.

[1:52:15 PM](#)

SENATOR KIEHL asked for clarification about the owners of "The Seward Company".

MR. CARNAHAN answered that "The Seward Company" is a purpose-built (financial) vessel that is owned by Turnagain Marine Construction. Royal Caribbean considers itself to be a development partner in The Seward Company; the owner is Turnagain.

[1:53:03 PM](#)

SENATOR TOBIN asked why the request to raise revenue is limited to \$75 million. She suggested that it might be advantageous to continue to raise revenue bonds and add assets in the future. She also asked what would happen in 50 years, and if 50 years is the projected life span for the new dock.

MR. O'LEARY answered that the request to raise bonds applies only to the specific project currently proposed. Requests for similar funding approval for future projects will be specific to those projects. He affirmed that 50 years is the projected life span of the assets being constructed; plans and proposals will likely follow the same request for authorization.

[1:54:40 PM](#)

SENATOR KIEHL asked for clarification of ARRC's equity stake in the proposal.

MR. O'LEARY answered that ARRC's equity in the project is the cash ARRC is putting into the project. ARRC is investing \$30 million into the project; and the remaining \$107 million will be financed through debt:

- \$137 million Project
- \$30 million ARRC cash investment
- \$107 million, financed through debt

He explained that financing the \$135 million debt through bond authorization will provide flexibility when considering financing factors, such as interest rates, risk profile and debt structure options. The timing of financing could happen anytime between bond authorization approval and completion of construction and will allow for optimizing the financing factors. The project is not expected to exceed \$135 million, and they would not borrow more than they need.

[1:56:45 PM](#)

SENATOR KIEHL asked for clarification of ARRC's equity expressed in percentage.

MR. O'LEARY explained that out of the \$137 million project, \$30 million would be ARRC cash, and the rest would be railroad bonds to pay for the \$137 million project cost. At the end of the loan, ARRC will own and operate the terminal and the pier.

[1:57:29 PM](#)

SENATOR KIEHL said he understands the plan but is trying to clarify the amount ARRC will invest, and the amount needed for financing the project.

MR. O'LEARY explained the plan is to put \$30 million of railroad cash toward the project, allowing for flexibility for the financing. He explained the benefit of flexibility is to optimize the terms and conditions of the final loan.

[1:58:54 PM](#)

MR. O'LEARY moved to slide 4 and slide 5: overhead views depicting the existing dock and pier and the proposed dock, pier, terminal buildings and parking area.

[1:59:53 PM](#)

SENATOR TOBIN asked about the impact of the proposed pier on boats that use the neighboring dock.

MR. O'LEARY answered that the neighboring dock had been there since 1966 with significant use and there is no expectation that the new facility will impact it.

[2:00:45 PM](#)

CHAIR KAUFMAN asked if the slides represent a mature design plan. He asked if the design is near final, and ready to execute.

MR. CARNAHAN explained this design is specifically for the cruise industry in Alaska. The design is a proven design, a purpose-built Alaska design like projects in Hoonah, and Ward Cove that have floating facilities; but improved to allow the ships to turn around. He described the plan as advanced, well thought out and close to final.

[2:02:03 PM](#)

CHAIR KAUFMAN asked if all the geophysical work on site is complete.

MR. CARNAHAN explained that the construction contractor could speak specifically to that, but they have experience with similar marine work in the Seward area. This design reflects their experience with the challenges of the area.

[2:02:38 PM](#)

CHAIR KAUFMAN expressed appreciation for the design specific to Seward.

[2:02:45 PM](#)

SENATOR KIEHL described having observed significant sediment disturbed by a ship executing a turn in the bay. He asked if the cost of dredging is built into these plans and if that would be part of the project financing.

MR. O'LEARY answered that dredging is included in the project plan and future dredging would be contemplated in the user agreement between Royal Caribbean Group and ARRC.

[2:04:11 PM](#)

CHAIR KAUFMAN announced invited testimony on SB 105.

[2:04:42 PM](#)

KAT SORENSON, Executive Director, Seward Chamber of Commerce, Seward, Alaska, introduced herself as the Seward City Manager and noted the Seward Mayor, Vice Mayor and entire city council are in strong support of SB 105. She explained that SB 105 represents a crucial investment in the future of the Seward community and the future economic prosperity of the state. She highlighted the value of the project to the community as it will provide:

- welcoming facility for cruise passengers and local residents
- well-designed space for year-round community use

- shore power infrastructure, allowing for a large rate payer to participate in the locally owned electric utility, easing the burden for small community rate payers, and contributing to overall energy sustainability for the community
- stable long-term employment opportunities with ARRC

[2:07:20 PM](#)

TOM TOUGAS, Owner, Major Marine Tours, Seward, Alaska, explained that the need to replace the current dock is critical to the community of Seward, the interior and to the state. Seward serves the tour industry in the summer and is an important marine repair hub with longshoremen working year-round. He emphasized the important economic ripple effect of the Seward Dock to Seward and statewide. He further emphasized that the dock is a 50-year asset affecting the rail belt from Seward to Anchorage and on through to Fairbanks and there is no option but to do this work.

[2:10:06 PM](#)

CHAIR KAUFMAN opened public testimony on SB 105.

[2:10:24 PM](#)

JILLIAN SIMPSON, President and CEO, Alaska Travel Industry Association, Anchorage, Alaska, testified in support of SB 105. She testified that Alaska Travel Industry Association (ATIA) supports transportation initiatives that enhance and support tourism opportunities and improve visitor industry access. She explained that the Seward dock is a vital piece of infrastructure for most of Alaska's visitors. She noted ATIA found that 2022 direct spending on goods and services by visitors throughout the state came to \$3.9 billion. Last year the state saw 1.6 million cruise ship passengers and they represent 60% of summer visitation. Of those passengers, 1/3 of them are on ships that visit South Central and travel extensively in the state. This does not include the cost of a cruise or transportation to get to or from Alaska. This spending supports local economies in all 5 regions of the state. ATIA supports the infrastructure investment in the Seward dock and passenger terminal as it will provide statewide benefits to Alaska's communities and small businesses.

[2:12:35 PM](#)

JOSH HOWES, President, Premier Alaska Tours, Anchorage, Alaska, testified in support of SB 105. He testified that continuous investment in infrastructure is critical to maintain a competitive position with cruise destinations around the world.

The Seward dock and passenger facility is a critical component of that infrastructure. He explained that one of the most important advantages of the Seward project is that the Seward dock will be available to other cruise lines and not exclusive to Royal Caribbean. He said that his company moves over 100,000 guests and books over 200,000 hotel rooms and employs over 750 employees. The cruise ship industry is a heavily competitive environment. This specific project, owned by ARRC, will keep this facility open for competition among cruise lines, and will serve all visiting cruise lines, not just Royal Caribbean. He emphasized that this project is long overdue and urged expeditious passage of the bill.

[2:15:39 PM](#)

CHAIR KAUFMAN closed public testimony on SB 105.

[2:15:50 PM](#)

SENATOR KIEHL asked if the new design for the Seward dock and passenger facility allowed for increased security if greater security measures become necessary.

MR. CARNAHAN answered that the security aspect starting point will be as it exists today. The design change from fixed to floating dock does not change the security aspect of the dock design. The new terminal design incorporates the security standards required by the Coast Guard and other security aspects of business conducted at the facility.

[2:17:53 PM](#)

CHAIR KAUFMAN held SB 105 in committee.

[2:18:10 PM](#)

At ease

SB 199-STATE LAND: DISPOSAL/SALE/LEASE/RESTRICT

[2:19:53 PM](#)

CHAIR KAUFMAN reconvened the meeting and announced the consideration of SENATE BILL NO. 199 "An Act relating to access roads; relating to state land; relating to contracts for the sale of state land; relating to the authority of the Department of Education and Early Development to dispose of state land; relating to the authority of the Department of Transportation and Public Facilities to dispose of state land; relating to the authority of the Department of Natural Resources over certain state land; relating to the state land disposal income fund; relating to the sale and lease of state land; relating to

covenants and restrictions on agricultural land; and providing for an effective date."

[2:20:17 PM](#)

BRENT GOODRUM, Deputy Commissioner, Department of Natural Resources (DNR), introduced SB 199 on behalf of the administration:

[Original punctuation provided.]

- Thank you for the opportunity to present some opening remarks for SB 199 on State Land Disposals
- As you may know the State of Alaska manages over 100 million acres of uplands, and another 65 million acres of tidelands, all belonging to the people of Alaska.
- The legislation soon to be presented to you in SB 199 would serve to help **cut bureaucratic red tape**, create flexibility and responsiveness within State Departments and open additional opportunities to put our state's lands to work for everyday Alaskans.

[2:21:03 PM](#)

At a very high level the bill will serve to:

- Streamline Land Transfer functions from the State of Alaska that would enable Dept of Transportation & Public Facilities and Dept of Education and Early Development to directly transfer land no longer needed for their original purpose to private parties thus reducing bureaucratic administration and sometimes confusing multi-agency efforts.
- The bill will also work to create Flexible Leasing Requirements that will allow the Department to best decide when surveys are necessary for long-term leases to support applicants' needs and potentially lowers costs for lessees.
- It will further Incorporate Adaptable Road Standards that allow for more economical pioneer road standards for land access and aligns right-of-way widths with municipal zoning.
- SB 199 will also provide necessary Financial Support for Development of State lands in preparation for sale to Alaskans as well as

extend the contract terms of State Land sales to 30 years.

- o The Legislation will also help facilitate Commercial Land Sales by introducing a new statute for commercial land leasing and sales and lastly, will enable expanded agricultural use to be inclusive of activities such as bed and breakfast operations to help offset agricultural development costs.
- This is an important piece of legislation that can serve to help create new opportunities in making Alaskan's lands open to everyday Alaskans.

[2:22:54 PM](#)

RACHEL LONGACRE, Chief of Operations, Division of Mining, Land and Water (DMLW), Department of Natural Resources (DNR), Anchorage, Alaska, moved to slide 2 and began a presentation on SB 199. She thanked the committee for inviting her to present on Senate Bill 199 for state land disposals, sales, and leases. She said Senate Bill 199 would authorize the Department of Education and Early Development and the Department of Transportation and Public Facilities to directly dispose of surface land rather than transferring land to the Department of Natural Resources (DNR) for conveyance. It also increases the cap on the land disposal income fund, updates and improves provisions relating to DNR's land disposal procedures, broadens agricultural incidental uses, and adds a new statute relating to leases and sales of land for commercial development.

SB 199 State Land:
Disposal/Sale/Lease/Restrict:

[Original punctuation provided.]

Overview

- Authorize the Department of Education & Early Development (DEED) and the Department of Transportation & Public Facilities (DOT&PF) to directly dispose of surface land, rather than transferring land to the Department of Natural Resources (DNR) for conveyance
- Increase the cap on the Land Disposal Income Fund (LDIF)

- Update and improve provisions relating to DNR's land disposal procedures in AS 19.30, AS 38.04, AS 38.05
- Amends agricultural use restrictions
- Add a new statute relating to leases and sales of land for commercial development

[2:23:51 PM](#)

MS. LONGACRE moved to slide 3:

[Original punctuation provided.]

Authority for Direct Disposal of State Land

- Proposed amendments allow the Department of Education and Early Development (amending AS 14.07.030) and Department of Transportation & Public Facilities (amending AS 35.20.070) to sell land directly to private parties
 - Streamlining land disposals, reducing multi-agency involvement
 - Expanding eligible recipients beyond federal, state agencies, and political subdivisions

She said Section 1 amends the Department of Education and Early Development's authority under Alaska Statute 14.07.030. The amendment would streamline the disposal process by removing the multi-agency process where currently the Department of Education transfers title to DNR for this conveyance. This amendment would eliminate the need for DNR to include any restrictions that may be attached by DNR statutes in the process. The requirements may be inconsistent with our sister agencies' needs. This change would expand eligible recipients beyond just federal and state agencies and political subdivisions. Department of Education and Early Development (DEED) would still need to comply with Article VIII, Section 10 of the Alaska Constitution for Public Notice and Article IV, Section 6 of the Alaska Constitution for Public Purpose if and when it disposes of any real property.

MS LONGACRE said Section 3 repeals and reenacts the Department of Transportation and Public Facilities' authority under AS 35.20.070. Similarly, this amendment would streamline the disposal process by removing the multi-agency factor by eliminating the need for DNR to include any restrictions that may be required by DNR statute. The amendment would still allow DOT to transfer land to DNR if they felt that it fit their need.

If SB 199 becomes law, DOT would have direct disposal authority for lands that it obtained for public facility projects but where the lands are no longer needed for such a project. DOT's current disposal regulations would still apply. These sections would also be within public notice requirements under the Constitution.

[2:25:34 PM](#)

MS. LONGACRE moved to slide 4 and continued her presentation:

[Original punctuation provided.]

Land Disposal Income Fund (LDIF)

- The LDIF holds deposits from the state land disposal program
- Under current law, the portion of the fund in excess of \$5 million is to be deposited in the state general fund
- The bill raises state land disposal income fund cap from \$5 million to \$12 million
- Boosts spending authority for larger projects
- Addresses inflation since 2000; cap unchanged for 20 years
- Adjustment to funding cap, not appropriation
- Department can request limit increase in annual report

MS. LONGACRE said the Department of Natural Resources (DNR) has several land sale opportunities. The department holds an annual land sale auction where 200 to 220 parcels were offered to Alaska residents. The department holds over-the-counter sales, agricultural sales, direct non-competitive land sales, and remote recreational land offerings, which have been occurring since the 1960s.

MS. LONGACRE said one of the proposed amendments is to increase the land disposal income fund (LDIF) limit to \$12 million to bolster the fund balance, facilitating the department's efforts in land development and disposal while accounting for inflation since its inception in 2000. Section 4 proposes an amendment to AS 38.04.022 to raise the LDIF cap. Concerns over a minimal fund balance resulting from fiscal sweeps, revenue expenditure disparities, and escalating land development costs underscored the necessity for this increase.

The Department of Natural Resources (DNR) is closely monitoring the fund while adjusting general fund expenses, including core

costs. Elevating the cap is an initial measure to sustain the fund's effectiveness in supporting multi-year, large-scale development projects. The capital authority for subdivision improvements operates across multiple fiscal years with vigilant oversight of contractual agreements to prevent revenue shortfalls. However, funding constraints could hinder land preparation for future land sales. This request is not for an appropriation; it is a request for a higher fund balance for land sale receipts. This LDIF supports both the Division of Mining, Land, and Water as well as the Division of Agriculture.

[2:27:27 PM](#)

MS. LONGACRE moved to slide 5:

[Original punctuation provided.]

Agricultural Land Lease and Sale Procedures

- Amendment to AS 38.05.321 allows broader use of agricultural land and improvements
- Currently an agricultural landowner can only use the land for purposes that are incidental to and not inconsistent with agricultural land
- Proposed amendment would now allow an agricultural landowner to use land for purposes that are consistent with and do not interfere with the primary purpose

MS. LONGACRE said SB 199 proposes amendments to existing statutes to broaden the scope of agricultural activities beyond primary use, enabling ancillary endeavors such as bed and breakfast operations to supplement and alleviate agricultural development expenses. While preserving agricultural land for its intended purpose is crucial, the finite availability of such land underscores the need for flexibility. Granting the director greater discretion and permitting diverse economic activities within agricultural enterprises could foster a more robust economic framework for agricultural sectors.

[2:28:02 PM](#)

MS. LONGACRE moved to slide 6:

[Original punctuation provided.]

Access Road Construction

- Amends AS 19.30.080 to specify that access roads to surface disposals may be developed at a pioneer standard

- Clarifying language on right-of-way widths within municipal boundaries
- Align with municipal zoning requirements as private developers

MS. LONGACRE said SB 199 proposes amendments to AS 19.30.080, allowing access roads to adhere to pioneer standards instead of mandating all-weather, all-season roads. Additionally, it mandates that rights of way align with municipal zoning requirements without necessarily necessitating a higher standard. The Department of Natural Resources (DNR) would be held to the same standard imposed on private citizens and other land developers.

[2:28:35 PM](#)

MS. LONGACRE moved to slide 7:

[Original punctuation provided.]

Land Sale Procedures

- Land sale disposal contracts
 - Longer purchase terms from 20 years to 30 years
 - Consistency in terms from "Foreclosure" to "Termination"
 - Allows for paid in full purchase when existing infrastructure would increase liability of financing a land sale purchase contract

MS. LONGACRE said SB 199 clarifies the requirements for earnest money deposits on contracts and contract terminations while extending the maximum contract term from 20 years to 30 years. She noted that by replacing the word "foreclosure" with "termination," the terminology is made more consistent, aligning with administrative processes rather than banking terms. She added that it introduces a definition for public auction, paving the way for online auctions. While traditional DNR sale methods like outcry auctions, lotteries, over the counter, and direct sales will persist, the definition of public auction enhances the structure of online platforms.

MS. LONGACRE explained SB 199 also allows for a best interest finding to determine that a paid-in-full purchase price could be required on parcels where the property value exceeds \$10,000 and includes any liability that the state would need to transfer.

[2:29:42 PM](#)

MS. LONGACRE moved to slide 8:

[Original punctuation provided.]

Survey Requirements for Leases

- Discretion of cadastral surveys for long-term leases
 - Survey could be required where infrastructure boundaries or access management is in the best interest of the state
 - Reduces the financial and administrative burden on industries
 - Industry is challenged by current requirements
 - Ex: Renewable energy projects, grazing leases

MS. LONGACRE stated SB 199 proposes several amendments aimed at streamlining processes and reducing barriers to development on state land. It would grant the commissioner, through a best interest finding, the option under AS 38.04.045(b) to determine the necessity of a cadastral survey, providing flexibility while maintaining state oversight. The bill eliminates the requirements for surveys of long-term leases (10+ years). This change acknowledges that surveys and appraisals for leases exceeding 10 years can pose significant hurdles for industries seeking land development, particularly in sectors such as grazing, renewable energies, and agricultural uses. These requirements not only deter development but also incur prohibitive costs, especially for industries with extensive land needs. Therefore, these amendments aim to promote economic growth by reducing unnecessary administrative burdens and expenses associated with land development processes.

[2:30:51 PM](#)

MS. LONGACRE moved to slide 9:

[Original punctuation provided.]

Land for Commercial Development

- Stimulate economic development
- Offers land for leasing, and sale, by requesting proposals
 - o For state land identified or nominated as a Qualified Opportunity Zone
 - o For state land nominated by the public
- Land nominated cannot exceed 640 acres
 - o For any other state land the commissioner deems appropriate for commercial development

- Nominated land may need to be reclassified
 - Provide additional public notice beyond normal AS 38.05.945

MS. LONGACRE explained SB 199 creates a new statute providing for the disposal of state lands deemed suitable for commercial development through a lease-to-sale program. To implement the new commercial leasing disposal program, the department will need to evaluate land nominations, identify land offering areas, and prepare documents relating to planning and classification or reclassification of lands to be offered. The department will prepare best interest findings under AS 38.05.035, complete title due diligence and title report issuance, and provide appraisals of the land under AS 38.05.840. This commercial development opportunity would be a new program for the division and has been requested. It would be advantageous to consider land sales beyond just residential land transfers.

[2:31:50 PM](#)

MS. LONGACRE moved to slide 10 and provided the sectional analysis for SB 199:

[Original punctuation provided.]

Sectional Analysis
Senate Bill 199 - State Land:
Disposal/Sale/Lease/Restrict (33-GS2634\A)

Section 1 - Amends AS 14.07.030(a) pertaining to the powers and duties of the Department of Education and Early Development (DEED), allowing them to dispose of land directly to a private party rather than just to federal agencies, state agencies, and political subdivisions. Under current practice, DEED transfers land to the Department of Natural Resources (DNR) for disposal of the parcel in compliance with DNR's procedures detailed in AS 38, the Alaska Land Act.

Section 2 - Amends AS 19.30.080 pertaining to construction standards and maintenance of state access roads. The amendments allow for access roads constructed under AS 19.30.060-19.30.100 (pertaining to providing access to state land that is programmed for surface disposal, and to provide access roads at the lowest possible cost) to be of low standard and not necessarily suitable for all weather used. The amendments would clarify that where an access road to

state land intended for disposal is constructed within the boundaries of a municipality, the right-of-way width must conform to the municipality's zoning requirements to the same extent as private landowners.

Section 3 - Repeals and reenacts AS 35.20.070 (vacating and disposing of land; rights in land), relating to Department of Transportation & Public Facilities (DOT&PF) authority to vacate or dispose of land. Currently, AS 35.20.070 only permits DOT&PF to transfer such land to DNR for disposal. The reenacted section would allow DOT&PF to dispose of land to a third party directly, according to the terms, standards, and conditions established by the DOT&PF commissioner. Such land could still be transferred to DNR for disposal, if requested by DNR. This amendment will streamline the disposal process and reduce multi-agency efforts.

[2:33:41 PM](#)

SENATOR KIEHL asked what volumes of land would be subject to disposal with passage of these changes to DOT statutes.

MS. LONGACRE answered that she would not be the subject matter expert to speak to the inventories of lands for disposal that DOT has, or the volume, but reiterated this is for their public facilities. She deferred to DOTPF representative.

[2:34:36 PM](#)

CHAIR KAUFMAN called on Ms. O'Claray.

[2:34:48 PM](#)

HEATHER O'CLARAY, Statewide Right-of-Way Chief, Department of Transportation (DOT), Juneau, Alaska, explained that (SB 199) pertains to a very small subset of property managed by DOTPF. DOTPF maintains approximately 827 public facilities. She stated offhand she does not know how many were acquired or constructed under the authorities that are being amended in SB 199 under AS 35.

[2:35:56 PM](#)

SENATOR KIEHL referred to SB 199, Section 4(b) and asked whether selling land or transferring it to DNR takes priority when DOTPF decides to dispose of land.

MS. LONGACRE answered that those decisions are made on a case-by-case basis.

[2:36:46 PM](#)

SENATOR KIEHL noted that what SB 199 contemplates is that the Commissioner of DNR is requesting land, which he surmised would be infrequent.

[2:36:56 PM](#)

MS. LONGACRE described the Telephone Hill transaction as one example which would have been less cumbersome to complete with legislation like SB 199 in place.

[2:37:49 PM](#)

SENATOR KIEHL maintained his position that situations when DNR requests land from DOTPF are infrequent and ones where the state should give preference.

[2:38:23 PM](#)

SENATOR TOBIN referring to Section B, subsection 1, described lands between Ingra and Gambel which were assumed by DOTPF for a large-scale project and currently being held. She said that under this section, those lands could be sold to private industries or potential companies by conditions established by the commissioner. She asserted that sales of that type by regulation would allow for public input, reducing community injustice and harm. She asked for further explanation of why the commissioner should establish the terms, standards and conditions and not regulation.

[2:39:18 PM](#)

MS. LONGACRE deferred to Ms. O'Claray.

[2:39:24 PM](#)

MS. O'CLARAY said she could not speak to that specific example, but in general, properties acquired under AS 19 are highways and not affected by SB 199.

[2:39:56 PM](#)

SENATOR TOBIN asked why the transaction would take place under conditions prescribed by the commissioner and not by regulation.

SENATOR TOBIN repeated her question, pointing to SB 199 Explanation of Changes, Version A to B, page 4, line 11, which describes conditions (for transfer of property) established by the commissioner. She asked why the transaction in question would not take place under a regulatory process allowing community input.

[2:40:56 PM](#)

MS. O'CLARAY answered that the language of SB 199 is modeled after existing authorities in AS 2 and AS 19, respectively for airports and highways, or prior existing language in AS 35. She affirmed that it is a good question and opined that conditions established by the commissioner could be by regulation, and within the power and duty of the commissioner. She explained that there are existing regulations under 17 AAC that generally address disposal of properties, but they are not specific to facilities, which SB 199 seeks to amend.

[2:41:47 PM](#)

SENATOR TOBIN referred to the fiscal notes for SB 199. She pointed out that there is no line item for regulation propagation. She said this leads her to suspect that there is no provision for public process, particularly for fiscal note OMB Component 3002.

[2:42:08 PM](#)

SENATOR WILSON asked that the committee be provided with the acreage of DOTPF land, as a follow up to Senator Kiehl's questions.

MS. O'CLARAY explained that DOTPF doesn't have figures for the acreage involved. The records do not specify how DOTPF acquired property. Property acquired for highways and airports would be excluded. Not all property was acquired under AS 35. When a property is identified for disposal, it is researched at that time, and it is a very small percentage of the property owned and managed by DOTPF.

[2:43:04 PM](#)

SENATOR WILSON asserted that he would expect DOTPF to have records and be aware of the lot sizes and value of the land for the 127 public facilities it manages.

[2:43:32 PM](#)

CHAIR KAUFMAN requested that DOTPF provide acreage and value information to the committee.

[2:43:56 PM](#)

MS. LONGACRE moved to slide 11 and continued presenting the sectional analysis of SB 199:

[Original punctuation provided.]

Section 4 - Amends AS 38.04.022 pertaining to the state land disposal income fund. Currently under subsection (a), the portion of the fund that exceeds \$5,000,000 must be deposited in the state general fund. This bill would raise that amount to \$12,000,000. This would increase spending authority from the fund for higher development, multi-year projects. The increase would also offset inflation since the fund was established in 2000. The \$5 million cap has not been adjusted in nearly 25 years. This would be an adjustment to the funding cap, not an increase in appropriation. Under subsection (b), the department is granted discretion to request an increase of the deposit limit in its annual statutorily required report to the Legislature.

Section 5 - Amends AS 38.04.045(b) to remove long-term leases under AS 38.05.070 from the requirement to accomplish an official cadastral survey. Currently, AS 38.04.045, the statute relating to survey and subdivision, requires that a survey be completed for a long-term lease, which is defined in statute as a term over ten years.

Section 6 - Adds a new subsection (c) to AS 38.05.045 to provide that the DNR commissioner may require an official cadastral survey under .045(b) before the issuance of a long-term lease under AS 38.05.070.

Section 7 - Repeals and reenacts AS 38.05.055, which establishes public auction or sealed bid as the default methods for sale of state land. The re-enacted version divides this section into four subsections to improve readability. Each sealed bidder is required to submit an earnest money deposit of five percent of the bid amount, and bidders who fail to enter into a contract to purchase, or default in the payment of the bid amount, will forfeit the deposit.

[2:46:03 PM](#)

MS. LONGACRE moved through slide 12 and 13 and continued presenting the sectional analysis:

[Original punctuation provided.]

Section 8 - Amends AS 38.05.065(a) to a longer term of 30 years. This longer term allows for lower monthly payments to better assist in higher value purchases.

Sections 9 - 12 - Amend AS 38.05.065(c), (d), (e), and (f) to replace the word "foreclosure" with "termination". Foreclosures are an instrument of financial institutions rather than state agencies.

Section 13 - 14 - Amend AS 38.05.065(h) for consistency pertaining to contracts for state land disposals. New subsections (j) and (k) require an earnest money deposit by persons applying to purchase land by means other than public auction or sealed bid. The earnest money requirement in cases of auction or bid is addressed in AS 38.05.055, as amended by the bill. The new subsections would apply a similar earnest money requirement to applicants for other methods of purchasing land under AS 38.05. The commissioner may, upon a best interest finding, determine that the purchase price for a parcel of land with existing improvements valued at greater than \$10,000 must be paid in full within 120 days of closing.

Section 15 - Amends AS 38.05 by adding a new section AS 38.05.086 pertaining to leases and sales of land for commercial development. The new statute supports commercial or industrial development of state land nominated and assessed by the state as appropriate for commercial development. Land could also be nominated by the public. The statute includes a process for requesting proposals from prospective lessees, accepting bids, and then entering into a contract to lease. This statute allows the lessee to apply to purchase the leased land at any time during the term of the lease if the department determines the lessee has used the land for commercial development consistent with their proposal. The new section also requires notice to Native Corporation stakeholders.

Section 16 - Amends AS 38.05.321(d) to allow uses on conveyed agricultural land that are not inconsistent with and do not limit its use for agricultural purposes. Currently, AS 38.05.321(d) prohibits the commissioner of DNR from limiting use of such land for purposes incidental to and not inconsistent with

agricultural purposes. This section would eliminate the requirement that uses be incidental to agricultural purposes.

Section 17 - Amends AS 38.05.965 to add the definition of "public auction" to expressly include online auctions in addition to oral outcry auctions.

Section 18 - Repeals AS 38.05.065(b), regarding the contract of sale for land sold under AS 38.05.057 and the terms of installment payments. This is a conforming amendment to account for the changes made under section 13 of the bill.

Section 19 - Provides an immediate effective date under AS 01.10.090(c).

[2:49:24 PM](#)

MS. LONGACRE moved to slide 14:

[Original punctuation provided.]

Fiscal Note

- FY 2025 \$655.4 (5 positions)
 - Two Permanent Full-Time Natural Resource Specialists 3
 - Two Permanent Full-Time Natural Resource Specialist 2
 - One Permanent Full-Time Appraiser 1
 - These positions will support timely adjudication of the expanded Land Sales with Commercial Development program applications.
- FY 2026-2030 \$630.4 annually

She explained that SB 199 creates a new statute providing for the disposal of land suitable for commercial development for a lease to sale program. To implement the program, DNR will need to:

- evaluate land nominations
- identify land offering areas
- prepare documents relating to planning and classification and reclassification of lands to be offered
- prepare best interest findings under AS 38.05.035(b)
- do title due diligence and title report issuance

[2:50:11 PM](#)

SENATOR WILSON asked whether DNR has acquired any additional lands over the past five to ten years.

MS. LONGACRE answered that Alaska is consistently working with federal agencies to transfer lands that are owed to the state. She asked for clarification of the question.

[2:50:40 PM](#)

SENATOR WILSON asked for a comprehensive plan or explanation of expectations for future acquisition and disposal of state lands.

MS. LONGACRE explained that the land sales program has been in place since the 1960s. Our lands are constantly adjusting based on community needs; area plans determine which land is available for settlement and those fluctuate. The expectation is that the program will continue. This is reflected in the request for an increased cap for the land disposal income fund so the state can look toward the development of higher valued parcels for Alaskans.

[2:52:05 PM](#)

SENATOR WILSON asked whether these land sales are only for Alaskans.

MS. LONGACRE answered that the annual land sales auction is offered to Alaska residents first. If the land is not purchased through auction, then the state may offer the land over the counter, which is available to anyone, including international purchasers.

[2:52:32 PM](#)

SENATOR MYERS asked whether more out-of-state sales are anticipated with the advent of on-line auctions.

MS. LONGACRE answered that the terminology and definition for an online auction would allow for having an exclusive online auction. The state is moving toward exclusively offering online auctions because of low turn-out for in-person auctions.

[2:53:22 PM](#)

SENATOR KIEHL asked if SB 199, Section 15 includes an Alaskan preference or limitation.

MS. LONGACRE answered that there is not an Alaskan preference or limitation in the statute. It has been determined that in the

same way that it is in the state's best interest to create production of agricultural land as quickly as possible through land sales, commercial development would benefit Alaskans.

[2:54:06 PM](#)

SENATOR KIEHL referred to an example of maritime culture regulation and asked whether regulations have been "fixed" to allow for flexibility in use of agricultural lands, for example allowing for tours or demonstrations of the land use.

MS. LONGACRE answered that she will follow up with the committee on that.

[2:54:56 PM](#)

SENATOR KIEHL described a change to mariculture regulation and suggested it might be a "good fix" for similar land use regulation.

[2:55:03 PM](#)

SENATOR MYERS asked for further explanation, with regard to the qualified opportunity zone, what it is and how it relates to the purpose of SB 199.

MS. LONGACRE explained that there was an effort by the federal government to create economic opportunity zones. The Department of Community and Economic Development determined where the State of Alaska and the federal government overlap in their assessment of those areas. The intent is to promote commercial development in those zones.

[2:56:08 PM](#)

SENATOR MYERS asked whether there would be potential tax breaks involved.

MS. LONGACRE affirmed there would be.

[2:56:21 PM](#)

SENATOR MYERS expressed concern about taking land that may not have significant use, designating it as commercial, and then not having that land used for commercial ventures for a time. That land then is not creating revenue for the state and would potentially increase the tax base, with road maintenance, etc. He asked if the state examined the potential tax impact for neighboring property owners.

MS. LONGACRE explained the commercial activity would occur under the bid proposal and also under the lease. The assessment of the

lease and the commercial activity for the community could be evaluated prior to the property being offered for sale.

[2:58:00 PM](#)

CHAIR KAUFMAN opened public testimony on SB 199.

[2:58:29 PM](#)

MARGARET STERN, Programs and Communications Director, Susitna River Coalition, Talkeetna, Alaska, testified in opposition to SB 199. She said SB 199 needs more scrutiny and is not ready to be enacted, particularly the sections pertaining to access roads and commercial land leasing.

[2:59:33 PM](#)

CHAIR KAUFMAN closed public testimony.

[3:00:11 PM](#)

SENATOR TOBIN expressed concern about a Knik Arm bridge coming through communities she represents. The area is designated an economic opportunity zone and there is land that has been taken by DOT, particularly an asset on Government Hill. She asked how this bill will affect communities in District 5.

MS. LONGACRE stated her belief that the commercial lease to sale program would serve communities well and would not be a detriment. She then described the process that occurs before a sale and provided an example.

[3:02:21 PM](#)

SENATOR TOBIN expressed appreciation and that she has reservations and concerns about this process. There is no language in SB 199 supporting a robust public process. She said she would like to continue the conversation outside the committee to discuss the impact on the communities of Government Hill and Fairview.

MS. LONGACRE replied that, with respect to the example of Government Hill and Fairview, SB 199 would only apply to state settlement land and she would be happy to show where there is settlement land that is available for this commercial lease to sale program.

[3:03:10 PM](#)

SENATOR KIEHL asked about the increase in the land development income fund, which is "subject to the [end-of-fiscal-year constitutional budget reserve] sweep." He asked how DNR processes that money and handles its obligation at the end of

each fiscal year to protect it from meeting the 3/4 vote. He said he would like to see how it works on the department's annual schedule.

He also asked whether the change from "foreclose" to "terminate" is appropriate and suggested the change could create issues.

MS. LONGACRE replied that the "clean up" of the language in SB 199 reflects that the land sales contract results in the equity for the title to the land being transferred overnight. There is no earned equity. It is a long-term purchase agreement. So "terminating" the contract is more appropriate than using a banking term such as "foreclosure" that would apply to a mortgage.

[3:05:15 PM](#)

CHAIR KAUFMAN held SB 199 in committee.

[3:05:55 PM](#)

There being no further business to come before the committee, Chair Kaufman adjourned the Senate Transportation Standing Committee meeting at 3:05 p.m.