

HOUSE FINANCE COMMITTEE
February 12, 2025
1:37 p.m.

1:37:53 PM

CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:37 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Calvin Schrage, Co-Chair

ALSO PRESENT

Alexander Schroeder, Staff, Representative Andy Josephson; Representative Louise Stutes, Sponsor; Jane Pierson, Staff, Representative Louise Stutes; Bill O'Leary, President and CEO, Alaska Railroad Corporation; Meghan Clemens, External Affairs Director, Alaska Railroad Corporation; Preston Carnahan, Regional VP Destinations, Royal Caribbean Group.

PRESENT VIA TELECONFERENCE

Kat Sorensen, City Manager, City of Seward, Seward; Tom Tougas, Self, Seward; Jillian Simpson, President and CEO, Alaska Travel Industry Association, Anchorage; Jason Davis, President, Turnagain Marine, Anchorage.

SUMMARY

HB 53 APPROP: OPERATING BUDGET; CAP; SUPP

HB 53 was HEARD and HELD in committee for further consideration.

HB 55 APPROP: MENTAL HEALTH BUDGET

HB 55 was HEARD and HELD in committee for further consideration.

HB 65 RAILROAD CORP. FINANCING

HB 65 was REPORTED out of committee with nine "do pass" recommendations and with one new zero fiscal note from the Department of Commerce, Community and Economic Development.

Co-Chair Josephson reviewed the meeting agenda.

#hb53

#hb55

HOUSE BILL NO. 53

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 55

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[1:39:41 PM](#)

Co-Chair Foster MOVED to ADOPT the proposed committee substitute (CS) for HB 53, Work Draft 34-GH1462\N (Marx, 1/28/25).

Co-Chair Josephson OBJECTED for discussion. He asked his staff to explain the CS.

1:40:19 PM

ALEXANDER SCHROEDER, STAFF, REPRESENTATIVE ANDY JOSEPHSON, explained the changes in the CS. The bill had no changes from the governor's proposed operating budget, and merely conformed to the drafting style for the Legislative Legal Services. He continued that the Office of Management and Budget (OMB) confirmed with Co-Chair Josephson's office that it had no concerns with the differences between Version A and Version N of the bill.

Co-Chair Josephson recognized Representative Louise Stutes in the audience.

Co-Chair Josephson WITHDREW the OBJECTION.

Representative Stapp OBJECTED. He asked for a minute to look at the CS.

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AT EASE

1:42:10 PM

RECONVENED

Representative Stapp WITHDREW his OBJECTION.

There being NO further OBJECTION, Work Draft 34-GH1462\N was ADOPTED.

Co-Chair Foster MOVED to ADOPT the proposed committee substitute for HB 55, Work Draft 34-GH1459\N (Marx, 1/28/25)).

Representative Stapp OBJECTED. He asked for the working document number.

Co-Chair Foster provided the number.

Representative Stapp WITHDREW his OBJECTION.

There being NO further OBJECTION, Work Draft 34-GH1459\N was ADOPTED.

Representative Hannan asked if the new version of the budget included both rounds of supplemental items. She

noted that the initial governor's proposal did not include the supplementals.

Co-Chair Josephson replied in the negative.

HB 53 was HEARD and HELD in committee for further consideration.

HB 55 was HEARD and HELD in committee for further consideration.

Co-Chair Josephson handed the gavel to Co-Chair Foster.

Co-Chair Foster reviewed the remainder of the agenda.

#hb65

HOUSE BILL NO. 65

"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."

[1:44:30 PM](#)

Co-Chair Foster invited the bill sponsor to the table.

REPRESENTATIVE LOUISE STUTES, SPONSOR, introduced the bill with prepared remarks.

It is a pleasure to be in front of the House Finance Committee today to present HB 65 - "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."

Many of you may be familiar with HB 65. This bill, in its current form, passed through both bodies last year as HB 122, sponsored by Rep. Tomaszewski. The bill was then vetoed by the Governor for passing after midnight. For this reason, it is imperative that HB 65 gets passed into law prior to the end of March, so that the new Seward passenger dock and related

terminal facilities are ready to greet passengers in the 2026 cruising season.

The current Seward passenger dock is nearing the end of its useful life. The replacement and expansion of the passenger dock and terminal ensures continued service, expanded capabilities, employment opportunities, as well as economic growth for the City of Seward.

Also important to note, the improved Port of Seward could function as an alternative to the Port of Anchorage, if it became unavailable due to a disaster. Allowing for the transport of goods and supplies into Southcentral to remain viable. In the event of an emergency, the Port of Seward would allow commerce to continue as well as providing food security to the region.

The passenger dock and related terminal expansion is important to the City of Seward, the tourist industry, the Alaska Marine Highway, and the State of Alaska. This project serves as a key point of entry from cross-gulf itineraries, creating a vital multimodal transportation hub that connects rail, marine and the road system to moving passengers throughout the State. The dock and terminal improvements will also serve as the first step to bringing the Alaska Marine Highway back to Seward.

This project is an expression of the Alaska Railroad Corporation and Royal Caribbean Group's strong commitment to Seward. The new infrastructure will support the cruise industry in Seward for the next 50 years. This project is a boon for the City of Seward and its economic future by providing infrastructure to accommodate tourists and Alaskans alike.

Representative Stutes asked her staff to provide details on the bill.

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JANE PIERSON, STAFF, REPRESENTATIVE LOUISE STUTES, introduced herself and provided prepared remarks:

As required under AS 42.40.285, House Bill 65 grants legislative authority to the Alaska Railroad Corporation, to issue bonds, of no more than \$75 million, to fund the construction of a new passenger dock and terminal facility in Seward, Alaska. The requested \$75 million in bond authority is in addition to the \$60 million authorized in 2022, for a total of \$135 million in bonding for the project.

Furthermore, it is important to understand that under AS 42.40.690 the State of Alaska is not liable for the debts of the Alaska Railroad Corporation. These bonds will be secured by a 30-year pier usage agreement with anchor tenant the Royal Caribbean Group, with annual revenue to cover the debit.

This is a necessary project. The existing passenger dock was constructed in 1966. However, in over 50 years of use, the dock's pile foundation has experienced significant corrosion that limits the dock's remaining useful life and has resulted in weight restrictions being implemented. While safe to use, the dock is clearly nearing the end of its useful life.

The new passenger dock is designed to the specifications of the Alaska Railroad's anchor tenant the Royal Caribbean Group. The new dock design will be able to accommodate Quantum Class ships and will support industry growth and demand for the next 50 years.

During the off-season, the terminal facility provides support and moorage for freight, the U.S. Coast Guard, and non-cruise passenger vessels, as well as a venue for community events.

The successful passage of HB 65 by March in the 2025 legislative session is imperative to meet the timeline of completing the new dock and terminal for the 2026 cruise season.

Ms. Pierson listed others available to provide further details on the project, including the Alaska Railroad Corporation (ARC), the Royal Caribbean Group (RCG), the City of Seward, and Turnagain Marine Construction.

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Representative Bynum asked to hear how important it was to get moving on the issue. He wondered if there was an impact from the delay of the bill passing late in the previous session.

Ms. Pierson emphasized that it was imperative that the bill passed. If the bill did not pass the dock would not be available for the 2026 cruise season. She thought the committee would hear from RCG and the railroad that they had already started selling bookings on the ships. The veto of the bill the prior year had hindered the project, as the railroad needed the legislative authority to issue the bonds.

Representative Bynum appreciated hearing about the value to Alaska.

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Co-Chair Foster asked to hear from the Alaska Railroad.

BILL O'LEARY, PRESIDENT AND CEO, ALASKA RAILROAD CORPORATION, introduced himself and other available speakers. He provided a PowerPoint presentation entitled "Seward Passenger Dock and Terminal Replacement Project" (copy on file). He noted the presentation would be brief and acknowledged that legislators were familiar with the project. He began on slide 2 and addressed the railroad's mission statement that emphasized safety, service, profitability, and economic development. He considered that the project fit into each category. He thought the project was critical for ARC and for the entire visitor industry in the state. He thought it also had presented significant impact on the Southeast market.

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MEGHAN CLEMENS, EXTERNAL AFFAIRS DIRECTOR, ALASKA RAILROAD CORPORATION, reviewed the project on slide 3. She explained that the current dock in Seward was approaching the end of its useful life. She considered the dock to be critical infrastructure for Seward and the tourism industry. She relayed that the dock replacement had been an item of interest for ARC for a number of years, and also been a priority for its cruise partners.

Ms. Clemens described that RCG had worked with a local developer to identify a dock design and had brought the project to the railroad. The railroad determined the project design would meet its needs. There were plans to use bonds to finance the purchase, with legislative approval. The bond on the purchase would be serviced by a 30-year commitment by RCG at no recourse or obligation to the state.

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Ms. Clemens advanced to slide 4 and provided a review of the planned investments in Seward marine infrastructure. She mentioned a planned \$25 million expansion for the adjacent freight dock for fall 2026, completed in 2027.

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Ms. Clemens moved to slide 5 and discussed the details of the new dock. The new passenger dock would be larger than the current structure, which would support the growth and trends in the cruise industry. There would be a double-berth pier with a floating barge dock, which would be a more stable design than many floating docks. The new dock would be able to accommodate both Quantum-class RCG ships as well as side-loading Alaska Marine Highway vessels and freight barge vessels. She noted that outside of the scope of the \$137 million project, the railroad was also investing an additional \$1.8 million to upgrade the transfer span associated with the dock, in support of off-season freight activity.

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Ms. Clemens turned to slide 6 and discussed the new terminal building, which would be much larger and more updated than the existing facility. She noted that the building was meaningful to the community and hosted many events and would include over 40,000 feet of enclosed space and 20,000 feet of outdoor space.

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Representative Hannan asked if the current terminal would be torn down or if the new building would be on a different footprint.

Ms. Clemens affirmed that the new building would be on a different footprint. She pointed to slide 7 showing an image of the dock and surrounding facilities. She noted that the new terminal building will be on the uplands rather than the dock itself and would be more easily accessible.

Representative Hannan stated that many people became aware of the Seward area when watching the Olympics. She asked if the current building would be repurposed or torn down.

Ms. Clemens answered that the building would be removed from the existing dock and would be given to the City of Seward to repurpose.

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Ms. Clemens addressed the funding and timeline on slide 8. She mentioned securing the bond authorization for the critical date of spring 2026 and noted that RCG was making plans to bring ships into Seward in 2026 and needed the confidence of having the facility ready and waiting.

Mr. O'Leary addressed the key points on slide 9. He reiterated that timing was critical for the project. He emphasized that there were no state funds that would be used for the project. He asked for comments from RCG.

Representative Bynum stated that the biggest change he had seen was the port electrification portion of the project. He mentioned a \$45 million Environmental Protection Agency (EPA) grant and matching funds from the industry. He asked for comment on the additional benefits to the community and local utilities.

Ms. Clemens agreed that the EPA grant was a new development since the past spring and relayed that it was part of the Clean Port Program. The railroad had worked with the City of Seward and the developer to pursue the grant. The City of Seward was awarded a \$45 million grant that would support the dock electrification as well as the necessary city utility infrastructure upgrades. She continued that the updates included a battery bank system and a training program at the local Alaska Vocational Technical Center (AVTEC) to train maintenance technicians. She reiterated that the match for the grant was being supplied by the Port

of Tomorrow, the developer of the project. The component would add an additional \$50 million investment into the project and community.

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Representative Bynum appreciated it. He was a big advocate of shore electrification to benefit communities and provide economic growth and opportunity.

Co-Chair Foster asked to hear from RCG.

PRESTON CARNAHAN, REGIONAL VP DESTINATIONS, ROYAL CARIBBEAN GROUP, appreciated the legislature's time and work. He relayed that the company was excited to bring a lot of happy guests to the state. The company had 10 of its 65 ships in Alaska annually from Seattle and Vancouver. The company had been calling into the Port of Seward for 20 years. The company looked forward to the opening in 2026.

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Co-Chair Foster asked to hear from the City of Seward.

KAT SORENSEN, CITY MANAGER, CITY OF SEWARD, SEWARD (via teleconference), read from prepared remarks. She mentioned testimony she had offered a year previously and reflected that not much had changed. She commented that Seward was an essential economic and transportation hub for the state. The current dock was nearing the end of its useful life. The proposed new terminal was designed for year-round community use. The inclusion of shore power infrastructure aligned with the city's plans and goals. The newly acquired federal funding would enable shore power that would reduce emissions and stabilize local power rates. The shore power plan incorporated a battery that would ensure no disruptions in power. She discussed the increased jobs and positive impact on the community. She urged the committee's passage of the bill.

Representative Bynum asked if the shore power component would only be used for cruise ships or if it would be used for other vessels.

Ms. Sorensen answered that over time it could be used for other vessels depending on the vessel's infrastructure.

[2:08:12 PM](#)

Co-Chair Foster OPENED public testimony.

TOM TOUGAS, SELF, SEWARD (via teleconference), shared that he operated major marine tours in Seward. He had lived in Seward for over 30 years. He stated that the project was very important to the community, especially in the off season. He commented that many of the vessels on the western rivers came back to Seward for marine repair and it was very important for the winter economy to have the dock available. He thanked the committee.

Co-Chair Foster noted that he inadvertently skipped an invited testifier. He asked to hear from Ms. Jillian Simpson.

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JILLIAN SIMPSON, PRESIDENT AND CEO, ALASKA TRAVEL INDUSTRY ASSOCIATION, ANCHORAGE (via teleconference), spoke in strong support of the bill. She thought the dock was a critical piece of Alaska tourism. She read from prepared remarks. She cited that the previous year there had been over 1.7 million visitors to the state. She continued that 25 percent of cruise passengers crossed the Gulf of Alaska, and many of the passengers continued to travel on land. An Alaska Travel Industry Association (ATIA) economic study had shown that in 2022, passengers had generated \$500 million in spending. She mentioned the larger class of ships that the new dock would accommodate. She emphasized that ATIA strongly supported the dock and terminal that would provide economic benefits to all regions of the state.

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JASON DAVIS, PRESIDENT, TURNAGAIN MARINE, ANCHORAGE (via teleconference), was available for questions. He supported the bill. He mentioned progress on the project.

Co-Chair Foster CLOSED public testimony. He provided the email address to submit written testimony.

Representative Hannan relayed that she had supported the bill previously and intended to support it again. She noted they had heard a lot of testimony in support of the dock

and terminal from other users. She asked about the management and scheduling of the dock. She wondered if other cruise lines would pay the railroad, and if such payments would reduce the obligation of RCG.

Mr. O'Leary replied that the dock would be owned, managed, and operated by ARC. It would be an open dock. Other cruise lines would be welcome to use the dock. Royal Caribbean would have preferential use for one side of the dock for a certain period of time. He commented that it was for the benefit of all concerned that there was more traffic at the dock.

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Representative Hannan recalled that RCG's long-term commitment would pay off the bond. She pondered that the railroad's leasing of the dock to others for day use or winter use would reduce RCG's obligation.

Mr. O'Leary agreed.

Representative Galvin was excited to support the project. She referenced the Alaska Marine Highway System (AMHS) and understood the project was a shared dock with one side including a preference for RCG. She asked if there was also preference for AMHS or if the state would have to pay.

Mr. O'Leary replied that currently AMHS did not serve Seward. He noted that the project would need to make sure the ferry fit into the plan should it have the opportunity to be there.

Representative Galvin understood that the project was designed so marine ferries would be able to use the dock.

Ms. Clemens replied affirmatively. When considering construction of the new facility, the railroad had considered something that could best serve Alaskans for years to come. She was not aware of imminent plans to resume ferry service to Seward. She noted that side-loading vessels would be able to utilize the new facility, which was reflected in the bill language. She noted that there were multiple docks available in Seward, and that the freight dock next door could potentially be an option for AMHS vessels. She relayed that the group had wanted to ensure that the project could serve multiple vessel types.

Representative Galvin thought it sounded like any fees would be established later.

Ms. Clemens nodded affirmatively.

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Co-Chair Foster asked about the fiscal note from the Department of Commerce, Community and Economic Development.

Ms. Clemens replied that it was a zero fiscal note. She noted that while the railroad did require legislative approval to issue revenue bonds, there was no recourse to the state nor impact to the budget.

Co-Chair Foster queried any intent of members to submit amendments and did not see any indication. He also wanted to offer Representative Tomaszewski the option to make a motion to move the bill out of committee.

Representative Tomaszewski thanked the testifiers and Representative Stutes for the legislation. He relayed that he was focused on economic development and things to move the state forward.

Representative Tomaszewski MOVED to REPORT HB 65 out of committee with individual recommendations and the accompanying fiscal note.

Co-Chair Foster read the version number.

Representative Tomaszewski agreed.

HB 65 was REPORTED out of committee with nine "do pass" recommendations and with one new zero fiscal note from the Department of Commerce, Community and Economic Development.

Co-Chair Foster asked for any comments from the bill sponsor.

Representative Stutes thanked the committee for the expediency in which it handled the bill. She thanked Representative Tomaszewski for his past work on the bill.

Representative Allard thanked Representative Stutes and Representative Tomaszewski.

Co-Chair Foster reviewed the schedule for the following day.

ADJOURNMENT

2:23:54 PM

The meeting was adjourned at 2:23 p.m.