

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9762 SENATE TRANSPORTATION

## The Alaska Railroad: A Constitutional Responsibility of the Legislature

by Rep. Terry Martin

In a Point of View article in the February 6 edition of the Alaska Star, former Governor Bill Sheffield gives us some of what the Italians call "la stessa canzone"--the same (old) song--about the Alaska Railroad.

I have been an advocate of privatizing the Alaska Railroad for many years, mainly because that was the intent of the Legislature and of the public at the time of its purchase from the federal government in 1985. It is very clear that the public expected the state only to be a conduit to receive the railroad from the federal government and then to transfer it to private operation after a given length of time.

Under the federal transfer act, the state was to operate the line for 10 years before the lands could be transferred to any third party, an obligation we have fulfilled. At the same time, under the state transfer act, the railroad was to explore ways to privatize after five years.

After lengthy hearings and discussion of a number of audits on the railroad, the Legislative Budget and Audit Committee approved the introduction of legislation (HB 55 and SB 42) which does not seek to privatize the railroad, but which does two things: it brings the railroad under the Executive Budget Act; and it directs that the land be transferred to the Department of Natural Resources rather than the railroad.

First, the Executive Budget Act. In our deliberations over the railroad in the early 80s, it was decided to make the railroad a public corporation, but with deliberately distant oversight by the Legislature. This has not worked. Our experience, as a public oversight body, has been that railroad management likes to consider itself a public corporation when it's convenient to do so.

When it passed the ARRC legislation in 1984, the Legislature went too far in delegating its constitutional authority and responsibility to manage state assets. The ARRC enabling legislation should be reviewed in a new light, considering Article IX, sections 3,5,7,8, 13 and 14 of the constitution. It's clear to me that, while it wasn't the intent of the Legislature to violate these basic provisions, it appears we have.

Former Governor Sheffield emphasizes that the railroad is not a state agency. But it enjoys many of the perks of a state agency, including an exemption from paying corporate income taxes, municipal property taxes, and most fuel

taxes. All of its 113 cars and trucks carry exempt state license plates. These are not direct subsidies from the state treasury, but they are costs that a private company would have to pay.

But the railroad also wants to operate as a private business when that's convenient, such as when the legislative auditor would like to look at their books. Railroad officials have said that to put the railroad under the Executive Budget Act would be "the beginning of the end of the railroad."

Frankly, we heard the same complaints just a few years ago when the Legislature took steps to bring the Alaska Housing Finance Corporation under the Executive Budget Act, which we did. It didn't hurt them a bit: AHFC is healthier now than ever before. But the Legislature and the governor have a much better handle on what AHFC is doing with the billions of dollars of assets it controls.

Former Governor Sheffield also asserts the railroad makes money. What he means to say is the real estate leases subsidize the rail operations. When he claims a profit of "more than \$8 million," it is pertinent to ask how the \$10 million subsidy from the federal government is accounted for. Did the railroad really lose \$2 million? Or did they spend the federal money on maintenance that would simply have been deferred otherwise?

The second provision of HB 55/SB 42 regards the approximately 43,000 acres of land that comes with the railroad. My initial thought was to transfer the land to DNR, because that is the land management arm of the state. Lands that are essential to railroad operations would continue to be controlled by the railroad. However, lands that are not essential (and some are not even remotely related) to railroad operations should be transferred to municipalities, or the university, or sold to the people and businesses who are leasing them, etc.

Here again, the Legislature cannot ignore its constitutional responsibilities in Article VIII, sections 10 and 11, which require an open public process on the leasing or disposal of state lands and protects the state's interest in mineral rights, respectively.

For my part, I believe it is our responsibility as legislators to look after *all* of the assets of the State of Alaska, to look out for the good of *all* of the people of Alaska, and to make the tough decisions. I don't think any Alaskan, including those who work for the railroad, should have any fear of privatization.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

February 7, 1997

**SUBJECT:** Alaska Railroad Corporation (HB 55)

**TO:** Representative Terry Martin  
Attn: Christopher Knight

**FROM:** Tamara Brandt Cook *TBC*  
Director

You has asked me whether the Alaska Railroad Corporation may constitutionally spend revenue it generates without an appropriation. The corporation is exempted from a number of laws under AS 42.40.920(b), including the Executive Budget Act. It is far from certain to me that an exemption from the Executive Budget Act necessarily means that money involved in the exemption may be spent without an appropriation. To the extent that the state constitution requires an appropriation before money is spent, that requirement controls.

The federal Alaska Railroad Transfer Act contains a provision dedicating revenue generated by the railroad to railroad purposes. I am not convinced that a dedication of revenue, however valid under Article IX, sec. 7, places that revenue outside of the appropriation requirement of Article IX, sec. 13. It is possible that a court could conclude that, while revenue may be used only for railroad purposes, before it is so used it must be appropriated. In short, the legislature may still have the right and constitutional obligation to review proposed railroad expenditures and determine whether money will be spent for a particular railroad purpose, rather than another railroad purpose, and in what amount. The Attorney General's office has likewise concluded that a good probability exists that revenue of the Alaska Railroad Corporation is subject to appropriation before expenditure. (Memorandum, 366-575-84, May 26, 1984, copy attached)

It has been argued that money of a public corporation (like the Alaska Railroad Corporation) with an existence independent from the state is not in the state treasury and, therefore, not subject to appropriation. The Attorney General has, however, concluded that money in one public corporation (AHFC) is subject to appropriation to the extent that it is unencumbered. (Informal Opinion, 366-463-85, April 24, 1985, copy attached) That opinion was cited by the Alaska Supreme Court with approval and the court has specifically recognized that money appropriated from AHFC must be counted as "available for appropriation" for purposes of applying Art. IX, sec. 17, relating to the budget reserve fund. (Hickel v. Cowper, 874 P.2d 922 (Alaska 1994) footnotes 11 and 23) This conclusion of the court necessarily

**DEPARTMENT OF LAW**

OFFICE OF THE ATTORNEY GENERAL

REPLY TO:

1031 W 4th AVENUE  
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1st NATIONAL CENTER  
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AJUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

April 24, 1985

Hon. Al Adams, Chairman  
House Finance Committee  
Alaska House of Representatives  
Pouch V  
Juneau, AK 99811

Re: Legislative power of appropriation over funds of public corporations  
Our file: 366-463-85

Dear Representative Adams:

You have requested our advice whether the legislature's power of appropriation includes the power to appropriate money administered by the Alaska Housing Finance Corporation (AHFC). AHFC was created to administer a state enterprise consisting almost entirely of making housing loans or providing a secondary mortgage market for housing loans originated by private lending institutions. AHFC is a state agency with the power to incur indebtedness if repayment is secured by pledging revenue earned from AHFC enterprises. See Alaska Const. art. IX, § 11. The pledge is secured by dedicating money, including revenues earned from the loan enterprise, to special accounts established for the benefit of bondholders. You desire to know whether the legislature may appropriate directly from AHFC's Alaska housing finance revolving loan fund (AS 18.52.082) for a purpose unrelated to AHFC. In addition, you ask if the unobligated balance of an appropriation from the general fund to the revolving fund may be reappropriated for another purpose.

First, we believe there is little doubt that the legislature may reappropriate the unencumbered and unobligated balance of an existing appropriation. See Inf. Op. Att'y Gen. (Sept. 26; 366-132-81). The legislature is merely reducing the authorization to spend money. The formal act of appropriating money does not invest a person or entity with the right to ultimately expend the money unless a valid, binding contract is made with that entity. It is very doubtful that a political subdivision of the state being entirely a creature of statute could claim a vested right to expend money under an appropriation absent the intervention of innocent third parties. Based on these principles, we

# CORRECTION

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Representative Terry Mason  
February 7, 1997  
Page 2

presupposes that the legislature does, indeed, have the power to make appropriations from AHFC's unencumbered assets. If revenues of that public corporation are subject to appropriation, it would seem quite likely that the revenues of the Alaska Railroad Corporation would also be treated as subject to appropriation by the court.

TBC:pl  
97-030.plm

Enclosures

**DEPARTMENT OF LAW**

OFFICE OF THE ATTORNEY GENERAL

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April 24, 1985

Hon. Al Adams, Chairman  
House Finance Committee  
Alaska House of Representatives  
Pouch V  
Juneau, AK 99811

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conclude that the unexpended and unobligated balance of an appropriation to the AHFC revolving fund may be appropriated for purposes unrelated to AHFC.

We next turn to the more difficult question of whether the balance of the AHFC revolving fund may be appropriated by the legislature for a purpose unrelated to AHFC. The AHFC revolving fund serves as a central pool of money consisting of the following:

- (1) appropriations from the legislature;
- (2) assets transferred there by AHFC; and
- (3) unrestricted repayments of principal on loans made or purchased by AHFC.

The assets of the revolving fund are transferred to separate funds when necessary to satisfy covenants made with bondholders. Amounts remaining in the fund do not secure specific bond issues of AHFC and remain unrestricted for use by AHFC "for the purposes of the corporation." Id.

The answer to your question turns on whether the revolving fund is within the state treasury or, failing that, if the fund is an asset of the state which may be appropriated by the legislature. Revolving funds administered by state agencies are generally included in the state treasury for financial reporting purposes. However, the AHFC revolving fund is not carried on the state's ledgers as an asset of the state treasury. Rather, the revolving fund is an asset of AHFC. In a recent appropriation Act, the legislature has specifically appropriated to the AHFC revolving fund interest earned on loans made or purchased by AHFC on deposit in the fund. See sec. 1, ch. 129, SLA 1984. This was done to remove any question that AHFC had improperly dedicated an unrestricted revenue source of the state for a special purpose in violation of the dedicated fund prohibitions set out in section 7, article IX of the Alaska Constitution. This provides some evidence that the legislature considers unrestricted earnings of AHFC to be subject to appropriation. It is important to note that we have identified these earnings as "unrestricted." This means that the rights of innocent third parties to retain the fund balance as security for the payment of debt service on bonds have not intervened to restrict the ability of AHFC to spend them. We believe that the AHFC revolving fund is not in the state treasury. The effect of this conclusion is that AHFC may spend money in the fund without further appropriation. However, money earned from investments or assets of the

fund have customarily been considered a state asset which may be transferred and deposited into the general fund.

The question then becomes: if the AHFC revolving fund is not in the state treasury, but is an asset of a state agency, is the fund subject to appropriation? We believe that unrestricted money in the fund is probably available for appropriation. No specific authority was located to support this conclusion. We base our opinion on a belief that the legislative power of appropriation will be liberally construed by the courts. The appropriation power is often described as plenary. That is, the power to appropriate is limited only by express provisions set out in the Alaska Constitution. Judicial decisions reciting this principle are legion. See, e.g., San Francisco Labor Council v. Regents of University of California, 608 P.2d 277 (Cal. 1980); City of Sand Springs v. Department of Public Welfare, 608 P.2d 1139, 1148 (Okla. 1980). Absent a specific prohibition in the Alaska Constitution against appropriating assets of an executive branch agency held outside the state treasury, we believe that the legislature may do so. This opinion does not hold that the legislature must appropriate revenue of a public corporation before it can be spent, only that the legislature may exercise control over unrestricted assets of a public corporation. To deny this power would establish an entity capable of segregating unrestricted state revenue forever. At some point, this would do violence to the dedicated fund prohibition set out in article IX, section 7 of the Alaska Constitution.

We believe it is also our responsibility to inform you that there is a contrary view on this subject. The argument could be made on behalf of bondholders that AHFC has undertaken certain obligations to bondholders which are binding on AHFC and the legislature. AHFC bonds are issued as general obligations of the corporation. Typically, AHFC covenants in its indenture that it will "defend, preserve and protect the pledge of the program obligations, pledged revenues, and other assets." Bondholders could attack any direct appropriation of the AHFC revolving fund as a violation of the covenant to preserve assets. We believe this covenant will not restrict legislative appropriations of unrestricted assets of AHFC which are unnecessary to secure the repayment of debt service on bonds. See Opinion of the Justices, 313 N.E.2d 282 (Mass 1977); Opinion of the Justices, 136 N.E.2d 223 (Mass 1956). This means that the directors of AHFC must be certain that an appropriation of corporation assets will not jeopardize its ability to pay debt service on outstanding bonds.

To prepare for and meet any challenge to the appropriation of AHFC assets, we recommend that the legislature not only

appropriate the asset but also amend the enabling Act of AHFC to assure bondholders that an impairment of their security will not occur. Under this approach, a valid transfer of assets requires not only an appropriation from the AHFC revolving fund but also an amendment to AS 18.56.020 which provides authority for AHFC to transfer unrestricted surplus to the general fund. \*/ Authorization by general law for the transfer of assets of public corporations has been used in the past. In 1980, the legislature transferred the assets of the Alaska State Development Corporation (AS 44.59.010), the Small Business Development Corporation (AS 44.60.020), and the Alaska Toll Bridge Authority (AS 44.57.010) to the Alaska Industrial Development Authority. Sec. 42, ch. 106, SLA 1980. The transfer was made not in an appropriations bill, but in a bill proposing the enactment of general law. It is curious to note that no corresponding appropriation was made. This approach is consistent with another familiar adage of public finance law that appropriation bills may not be used to amend substantive law. Legislative Budget & Audit Committee v. Hammond, No. 1JU-80-1163 CIV (Alaska Super., May 25, 1983). It could be argued that AS 18.56.020 implies that the assets of AHFC will be transferred to the state treasury only upon termination. Because an appropriation cannot amend existing law, a transfer from the fund before dissolution of AHFC would be subject to question.

While we believe that a direct appropriation of surplus AHFC assets is legally defensible, to avoid any question as to the validity of a transfer appropriation, we recommend that the legislature

(1) enact an amendment to AS 18.56.020 authorizing interim transfers of unrestricted surplus assets of AHFC to the general fund;

(2) provide that the board of directors shall annually determine the amount of surplus available for transfer; and

\*/ AS 18.56.020 provides:

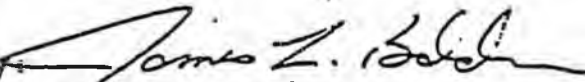
ALASKA HOUSING FINANCE CORPORATION. The Alaska Housing Finance Corporation is a public corporation and government instrumentality within the Department of Revenue, but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes or other obligations outstanding. Upon termination of the corporation, its rights and property pass to the state.

(3) appropriate the assets from the fund to the general fund in accordance with the transfer authorization.

We hope this memorandum has answered your questions.

Sincerely yours,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By: 

James L. Baldwin  
Assistant Attorney General

JLB/pjg

# MEMORANDUM

# State of Alaska

TO: Honorable Al Adams, Chairman  
House Finance Committee  
Alaska State Legislature

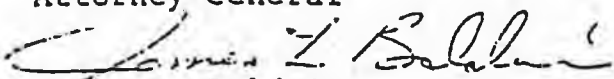
DATE: May 26, 1984

FILE NO: 366-575-84

TELEPHONE NO: 465-3600

FROM: Norman C. Gorsuch  
Attorney General

SUBJECT: Appropriation of  
Alaska Railroad  
revenue

  
By: James L. Baldwin  
Assistant Attorney General

Luann Cutler, on your behalf, has requested our opinion whether revenues of the Alaska Railroad must be appropriated before expenditure. Under the provisions of the Alaska Railroad Transfer Act (45 U.S.C. § 1207 -- 45 U.S.C. § 1214), "revenues generated by the state-owned railroad shall be retained and managed by the state-owned railroad for railroad and related purposes." 45 U.S.C. § 1207(a)(5).

This constitutes a dedication of revenue mandated by federal law. Even if a revenue source is dedicated for a specific purpose, amounts may not be expended by an agency within the executive branch from that revenue source unless appropriated by law. Alaska Const. art. IX, §§ 12, 13; see also, Kelley v. Hammond, C.A. No. 77-4, 1st Jud. Dist. (Alaska 1977). The important distinction of a validly dedicated revenue source is that money may not be expended for a purpose other than the Alaska Railroad, not necessarily that the money may be expended without appropriation.

We acknowledge that if the railroad's function is assigned to a public corporation which is established as a political subdivision of the state, an argument can be made that railroad revenue is not a part of the state treasury, much the same as the revenues collected by municipal corporations. If this view is adopted in Alaska, railroad revenues could be expended without appropriations. To date, this view has been repudiated at the superior court level. Kelley v. Hammond, C.A. No. 77-4, 1st Jud. Dist. (Alaska 1977).

We hope this opinion answers your question.

JLB/mg

ALASKA STATE LEGISLATURE  
LEGISLATIVE BUDGET AND AUDIT COMMITTEE  
Division of Legislative Finance



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Juneau, AK 99811-3200  
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MEMORANDUM

DATE: January 28, 1997

TO: Representative Terry Martin  
House Finance Committee

FROM: Mike Greany, Legislative Fiscal Analyst  
Division of Legislative Finance

BY: Dave Torkovich, Fiscal Analyst  
Division of Legislative Finance

SUBJECT: State Appropriations to the Alaska Railroad

A handwritten signature in black ink, appearing to be "Mike Greany".

At your request we've prepared a list of state appropriations to the Alaska Railroad:

SLA84, Ch. 171, Sec. 319 (Department of Commerce and Economic Development)

Alaska Railroad Acquisition	\$22,271,000 GF
Alaska Railroad Capital Equipment and Improvements	6,000,000 GF
Railroad Working Capital Fund	4,900,000 GF

SLA90, Ch. 208, Sec 145

Locomotives, Rolling Stock, and associated equipment cost (Associated with Wishbone Hill Coal Project)	\$9,000,000 Railbelt Energy
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## Alaska Railroad Corporation

### Financial Audits

- The financial affairs of the Alaska Railroad Corporation are audited annually by a public accounting firm. The corporation typically receives a "clean" opinion on its financial statements.

### Performance Audits

- Alaska statute also requires the corporation to have an annual performance audit conducted by a recognized railroad management expert. This audit is conducted presently by Mercer Management Consulting and is presented to the Board of Directors of the corporation annually.

### Significant Special Audits

#### Ship Creek Redevelopment Follow-up, November 17, 1994

- This audit was conducted to follow up on the findings and conclusions we made in our original review (1992) of this project. Several of the issues we initially raised appeared to have been satisfactorily resolved. Our concern in this review was whether the development would be successful.
- The redevelopment project had yielded little construction to date. None of the four centerpiece projects envisioned had commitments in place.

#### Anchorage Gravel Activities, July 3, 1996

- The report addresses our concerns that the Alaska Railroad Corporation's (ARRC) agreement with the Flamingo Brothers Partnership to market and extract gravel from the corporation's Anchorage property may not have been in the best interest of the corporation.
- ARRC's public procurement process was not followed. In the corporation's opinion, the gravel agreement was the disposal of real property and therefore, not subject to its procurement rules. We believe it was a commodity sale that should have been subject to the provisions of those rules.
- ARRC's real estate leases are inappropriately offered on a "first come, first served" basis.
- ARRC's justification of the project was unclear.

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- ARRC's justification of the project was unclear.

- ARRC's lack of public process excluded the community.
- We recommended ARRC improve its monitoring of employee conflict of interest disclosure statements.

Chena Landings Development, August 20, 1996

- This audit reviewed ARRC's management of the development project related to utility procurement, leasing, and public amenities.
- The utility project was delayed by planning and design difficulties.
- Request for proposal criteria and evaluation procedures were inadequate.
- The corporation lacked documentation regarding project development planning.
- Leases are not competitively offered; ARRC inappropriately uses a "first come, first served" approach to leasing property.

**Ongoing or Pending Audits**

Alaska Railroad Corporation, Equipment Purchases/Disposals

Alaska Railroad Corporation, Real Estate Appraisal Methodology

**Auditor Observations**

The Alaska Railroad Corporation has been under the "legislative microscope" for the last few years. The Audit Division has conducted five audits of the corporation since 1992 and has one audit in progress and another pending. Of those seven audits, two deal with rail operations, and five involve the corporation's management of real estate.

During the interim, the Legislative Budget and Audit Committee also pursued a greater understanding of the corporation and its assets. We believe that it is important that the Legislature understand the operation of the corporation and be aware of issues that impact its operation. The Legislative Budget and Audit Committee appears to be the appropriate vehicle currently available to provide that oversight.

The Alaska Railroad Corporation finds itself in an unenviable position. On one hand, it is operating under a statutory mandate to generally manage the corporation on a self-sustaining basis. On the other hand, as a corporation wholly owned by the State, the corporation must be

held to certain standards of openness and public accountability. It is in this vein that we often find ourselves at odds with the corporation. We believe that as long as the corporation is owned by the public, public accountability must come first.

We also believe that the corporation can be run in an efficient manner and still uphold those public accountability standards. Management by corporate officers and policy direction by the board of directors should strive for the appropriate balance. In our opinion, we have seen recent signs of improvement in this effort by the board, primarily through our contact with the chairman. We are hopeful that the appointment of a new chief executive officer will further foster these goals.

Without going into great detail on issues we remain concerned about regarding the Alaska Railroad Corporation, we offer these summary observations and would be happy to discuss them further with any member or committee of the Legislature. They are in no particular order of significance.

- The corporation's budget is not subject to the Executive Budget Act. We see no reason why the corporation should be exempt or even whether constitutionally, it can be. Similarly, significant federal funds have been received by the corporation for capital rehabilitation and improvements without any legislative oversight.
- The corporation has shown a profit for the last two fiscal years (calendar year end). Total net income for 1996 (unaudited) and 1995 was \$8.0 million and \$7.9 million, respectively. The net income from operations represented \$4.0 million and \$4.1 million, respectively. Approximately half of the corporation's income is generated from management of its real estate. The majority of this real estate is considered non-rail use property.
- A much talked about concern is deferred maintenance, however, little is factually known about the extent or estimated cost of that maintenance. We believe that a serious discussion needs to take place. It is possible, or even likely, that without the federal funding authorized the last two years (\$10 million per year) the railroad's income statement would look significantly different. Neither the financial statements nor the notes to the financial statements reflect any estimate of the amount of deferred maintenance.
- An observation that is important to understanding the fragile nature of the corporation's financial health is its dependence on two major customers. As disclosed in the notes to the financial statements for 1995, these two customers accounted for 45% of the corporation's revenue. The corporation's existence is dependent on those two customers.
- Through a combination of statute and corporation rules, the salary of railroad employees is confidential and therefore can not be disclosed to the public. Statute provides that the corporation may by rule designate and withhold public disclosure of matters of a

privileged or proprietary nature. Statute goes on to describe matters as including personnel records. Corporation rules include salary as a personnel record.

- Alaska Statute 42.40.265(b) requires the annual report of the corporation to include an analysis of potential sale arrangements whereby the corporation may be transferred into private ownership. The corporation has not pursued sale discussions with potential or interested buyers. The corporation has gone so far as to notify interested parties that the Board of Directors is not interested in selling the railroad.
- Statute requires the corporation to have an annual performance audit conducted by a recognized railroad expert to assure that the railroad is being managed and operated effectively and efficiently. There are two reports generated from this review. A confidential report is produced for the use of railroad management. A public version of the report is issued that does not go into nearly as much detail. We recommend that the legislature annually request a confidential briefing on the detail version of the performance report.

# LEGAL SERVICES

DEPARTMENT OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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Juneau, Alaska 99801-2105

## MEMORANDUM

January 20, 1997

**SUBJECT:** Sectional Summary of SB 42; An Act relating to the fiscal operations of the Alaska Railroad Corporation and to land acquired by the State of Alaska under the Alaska Railroad Transfer Act of 1982 or otherwise acquired for railroad purposes. (SB 42)

**TO:** Representative Terry Martin  
Attn: Chris Knight

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have requested a sectional summary of SB 42; An Act relating to the fiscal operations of the Alaska Railroad Corporation and to land acquired by the State of Alaska under the Alaska Railroad Transfer Act of 1982 or otherwise acquired for railroad purposes.

As a preliminary matter, note that a sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends sec. 1(b), ch. 153, SLA 1984 to expand the purposes for which the State of Alaska acquired the Alaska Railroad.

Section 2 of the bill amends AS 37.07.120(1) to amend the definition of "agency", for the purposes of the Executive Budget Act (AS 37.07), to include the Alaska Railroad Corporation.

Section 3 of the bill amends AS 42.40.100 to provide that the board of directors of the Alaska Railroad Corporation shall apply to the legislature for appropriations for the operating and capital expenditures of the Alaska railroad.

Section 4 of the bill amends AS 42.40.250 to provide that the Alaska Railroad Corporation may acquire title to personal property in its own name and real property on behalf of and in the name of the state.

Section 5 of the bill amends AS 42.40.285 by adding a new subsection to provide that the State of Alaska may not exchange, donate, sell, or otherwise convey its entire interest in land acquired under the federal Alaska Railroad Transfer Act or otherwise acquired for the

railroad purposes of the Alaska Railroad Corporation, unless the disposal is approved by the legislature by law.

Section 6 of the bill amends AS 42.40.350 to provide that the State of Alaska, acting through the Department of Natural Resources shall receive title to land granted to the state under the federal Alaska Railroad Transfer Act. Land within a utility corridor (railroad right-of-way) shall be reserved for the use of the Alaska Railroad Corporation. Rail land necessary for the use, maintenance, or operation of the Alaska Railroad shall be reserved for use by the Alaska Railroad Corporation. Land within railroad rights-of-way received by the state under the federal Alaska Railroad Transfer Act may not be leased or otherwise disposed of unless the land is required to be used for transportation, communication, and transportation purposes in perpetuity.

Section 7 of the bill amends AS 42.40.350 to provide that rail land not reserved for use by the Alaska Railroad Corporation is available for selection by and conveyance to municipalities under AS 29.65, if the legislature approves the conveyance by law. Unreserved rail land is to be managed by the Department of Natural Resources.

Sections 8 - 11 of the bill amend AS 42.40.360 and 42.40.370 to provide that the Alaska Railroad Corporation may request the Department of Natural Resources to reserve state land for railroad purposes.

Section 12 of the bill amends AS 42.40.385(a) to provide that the Alaska Railroad Corporation may acquire land by eminent domain only on behalf of and in the name of the State of Alaska.

Sections 13 - 18 of the bill amend several sections of AS 42.40 to conform to changes made by other provisions of the bill and to clarify that title to land used or acquired by the Alaska Railroad Corporation is held by the State of Alaska.

Section 19 of the bill amends AS 42.40.540 to require that the Alaska Railroad Corporation request, in accordance with the Executive Budget Act (AS 37.07), appropriations to carry out the purposes of AS 42.40.

Section 20 of the bill amends AS 42.40.900(a) to provide that lawsuits involving land under the jurisdiction of the Alaska Railroad Corporation must be brought against the corporation and not the state.

Section 21 of the bill amends AS 42.40.900(b) to repeal the exemption of the Alaska Railroad Corporation from the Executive Budget Act (AS 37.07) and the appropriation lapse provisions of AS 37.25.

Section 22 of the bill provides for the repeal of provisions allowing the Alaska Railroad Corporation to convey its entire interest in land with the approval of the legislature (AS 42.40.285(1)) and allowing the commissioner of natural resources to convey land to the Alaska Railroad Corporation for less than its appraised value (AS 42.40.370(b)).

Section 23 of the bill sets out when the Alaska Railroad Corporation is to prepare its first budget under AS 37.07.

Section 24 of the bill ratifies any transfer of title to land made by the Alaska Railroad Corporation prior to the effective date of this Act.

Section 25 of the bill provides that title to all land received or acquired by the Alaska Railroad Corporation prior to the effective date of this Act is transferred to the State of Alaska.

Section 26 of this bill provides this Act takes effect immediately.

GU:jdr

97-021.jdr

REPRESENTATIVE  
**TERRY MARTIN**  
VICE-CHAIRMAN  
BUDGET & AUDIT COMMITTEE  
MEMBER  
HOUSE FINANCE COMMITTEE

# Alaska State Legislature



MAY 15 - JAN 15 258-8169  
716 W. 4TH. SUITE 650  
ANCHORAGE, AK 99504  
JAN 15 - MAY 15 465-3783  
STATE CAPITOL  
JUNEAU, AK 99801-1182

January 20, 1997

Kathryn Thomas, Chair  
Alaska State Chamber of Commerce  
ArcTech Services, Inc.  
PO Box 3005  
Kenai, Alaska 99611

Dear Ms. Thomas:

I am writing to tell you how much I appreciate your interest and the State Chamber's interest in the Alaska Railroad. As the railroad is an asset of the Alaska public, I believe that a broad-ranging debate over its disposition is appropriate at this time.

I would like to thank the State Chamber for its recently-adopted resolution urging the Governor and the Legislature to go forward with the process of investigating the privatization of the railroad. This is the kind of direction we as state officials need as we seek the proper relationship between the Alaska Railroad and the public it serves.

I think it would be appropriate to comment on the letter sent to you on December 27, 1996, by Bill Sheffield, the Chairman of the Board (and now acting CEO) of the Alaska Railroad Corporation. In my view, his letter is laced with disinformation intended to diminish support for the State Chamber resolution on the Alaska Railroad.

Mr. Sheffield states that the railroad is not a "state agency." This depends on how one defines what a state agency is. It is true that the ARRC is not a line agency of the state, with a commissioner sitting on the Governor's cabinet, such as is the Department of Fish and Game. It is, however, a public corporation of the state, wholly-owned by the people of Alaska, and the people of the state are ultimately liable. This means that if a truck carrying Mapco fuels derails and spills its contents into the Nenana River, for the clean-up does not stop at the ARRC, but will come back on the state treasury.



Kathryn Thomas  
January 20, 1997  
Page 7

Mr. Sheffield asserts that the railroad "does not take a subsidy from the state... not a single nickel from the state treasury since the purchase 12 years ago." Again, on the surface this statement seems to be true however, last year, Senator Stevens was successful in obtaining \$10 million in federal money for the railroad. In addition, the railroad is sitting on a 1990 appropriation of \$9 million (now \$12.8 million with accrued interest) for rail cars for the Wishbone Hill coal project. At some future date, the railroad may be authorized to use this money; it would have to be considered a state subsidy. Additionally, the railroad, as a state entity, is exempt from the taxation a private company in its place would have to pay, including corporate income taxes and local property taxes. If this doesn't amount to a subsidy, what would it be?

Mr. Sheffield states that the railroad makes money. Even ARRC officials acknowledge that the land management side of the railroad is where the money is made, subsidizing the railroad operations. One has to question how much greater subsidy would be required if the railroad was addressing all deferred maintenance and replacement of aging facilities.

Finally, I would like to briefly review for you the legislation the Legislative Budget and Audit Committee has introduced. House Bill 55 and Senate Bill 42 (copies enclosed). These bills are identical as introduced and seek to accomplish two things: First, to bring ARRC under the Executive Budget Act (AS 37.07) , so that the Governor and the Legislature will have a greater hand in determining the annual budget of the railroad. I recognize that at the time of the state's acquisition of the railroad it was the recommendation of the transfer commission that legislative or state management and oversight be kept to a minimum and at a distance. Unfortunately, distant oversight has not worked, as the Legislative Auditor and the State Ombudsman have found out as they have conducted audits and investigations of the railroad over the past several years.

The second goal of the legislation is to have the title to the railroad lands, about 36,000 acres, transferred to the Department of Natural Resources, rather than to ARRC. It would then be our intention that ARRC continue those lands (between 18,000 and 22,000 acres) necessary for right-of-operation and maintenance of the railroad. However, excess acreage not needed for railroad operations, should be made available to the municipalities in which it is located.

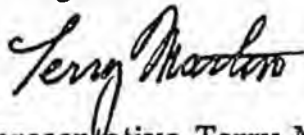
Kathryn Thomas  
January 20, 1997  
Page 3

I hope this letter has helped to make clear my views on the Alaska Railroad. As you are probably aware, I have been a longtime proponent of privatization of the railroad, as was the sentiment expressed by the majority of Alaskans who spoke out on the issue prior to the state's acquisition of the railroad in 1985. At this time, however, I think it is our responsibility, as public servants, to get a handle on the railroad, which will allow us to understand what we have and what we can do with it. And if privatization becomes a viable option later, that will be fine, too.

Please feel free to share this letter with any of your members whom you choose. Also enclosed you will find a copy of the four-page executive summary and transmittal letter of the interim report of the 1983 Alaska Railroad Transfer Advisory Commission, the first recommendation of which is in favor of privatization, and a copy of the evaluation notes submitted to the Legislative Budget and Audit Committee by Evan Allen and Arnold Tesh last August, which lay out today's alternatives for the railroad.

If you have any questions regarding this issue, please contact me in Juneau at 465-3783.

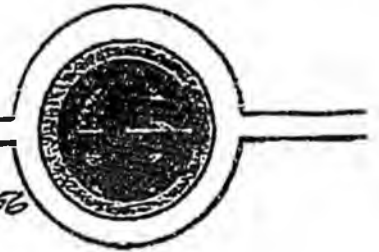
Best regards,



Representative Terry Martin

enclosures

# ALASKA RAILROAD CORPORATION



Corporate Address: P.O. Box 107500, Anchorage, Alaska 99510  
327 W. Ship Creek Avenue, Anchorage, Alaska 99501

265-2403

FAX 258-1486

Kathryn Thomas  
PO Box 3005  
Kenai, AK

December 27, 1996

Dear Kathryn,

As you may be aware, the chamber recently adopted a resolution concerning the Alaska Railroad submitted by the lobbyist representing Montana Rail Link. As chairman of the board of directors for the Alaska Railroad Corporation, I would like you to keep in mind three important points as we come into this Legislative session:

- The Alaska Railroad is not a state agency;
- The Alaska Railroad does not take a subsidy from the state;
- The Alaska Railroad makes money.

In 1995, the Railroad earned an \$8 million profit. In 1996, I expect the line will earn more than \$7 million. We have been able to do that by providing good service, using professional railroad management, and aggressively using our assets to increase revenues. We accomplished all this without taking a nickel – not for operating, not for capital, not for labor contracts or benefits – not a single nickel from the state treasury since the purchase 12 years ago. Our employees are not state workers and are not part of the state retirement system. Our labor contracts are in place, long-term, and independent of the state employee unions.

The Alaska Railroad is managed by a board of Alaskans. The operators are professional railroaders. The money the railroad makes is earned in Alaska, and stays in Alaska. Our balance sheet is rock-solid, and we have excellent access to capital for expansion. The bottom line is that the railroad is safe, profitable, professional, and Alaskan.

Very truly yours,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield  
Chairman of the Board  
Alaska Railroad Corporation

**ARR Financial Statement History**

	1985	1986	1987	1988	1989	1990	1991	1992		1994	1995
Operating Revenue	\$57,092	\$47,239	\$45,457	\$51,207	\$55,065	\$61,913	\$61,773	\$61,840	:	\$51,054	\$60,272
Operating Expenses	\$55,413	\$54,264	\$46,490	\$48,898	\$55,453	\$59,904	\$59,630	\$62,427	:	\$57,971	\$56,152
Income from Operations	\$1,679	(\$7,025)	(\$1,033)	\$2,309	(\$388)	\$2,009	\$2,143	(\$587)		(\$6,117)	\$4,120
Real Estate Income	\$4,095	\$4,934	\$4,821	\$4,438	\$3,932	\$3,718	\$3,592	\$3,616	-----	\$3,941	\$4,568
Other Income	\$1,920	\$1,719	\$890	\$585	\$637	\$879	\$436	\$509	\$544	\$222	\$191
Interest Expense	(\$561)	(\$613)	(\$1,661)	(\$1,526)	(\$1,204)	(\$2,066)	(\$1,729)	(\$1,189)	(\$1,114)	(\$1,256)	(\$1,008)
Net Income	\$7,133	(\$985)	\$3,017	\$5,806	\$2,977	\$4,540	\$4,442	\$2,349	(\$2,673)	(\$3,210)	\$2,111
Passenger Revenues	\$4,344	\$4,574	\$5,434	\$5,601	\$6,025	\$6,973	\$8,173	\$8,460	\$8,855	\$9,012	\$9,749
Average # of Employees	668					577	580	570			

	Total 1991-1995	Total 1986-1995	Total 1994-1995
Operating Revenue	\$292,659	\$553,540	\$112,126
Operating Expenses	\$299,002	\$564,011	\$114,123
Income from Operations	(\$6,343)	(\$10,471)	(\$1,997)
Real Estate Income	\$19,516	\$41,359	\$8,509
Other Income	\$1,902	\$6,612	\$413
Interest Expense	(\$6,296)	(\$13,366)	(\$2,264)
Net Income	\$8,779	\$24,134	\$4,661

ALASKA STATE LEGISLATURE  
LEGISLATIVE BUDGET AND AUDIT COMMITTEE  
Division of Legislative Finance



P.O.Box 113200  
Juneau, AK 99811-3200  
(907) 465-3795  
FAX (907) 463-4885

MEMORANDUM

DATE: January 28, 1997

TO: Representative Terry Martin  
House Finance Committee

FROM: Mike Greany, Legislative Fiscal Analyst  
Division of Legislative Finance

BY: Dave Tonkovich, Fiscal Analyst  
Division of Legislative Finance

SUBJECT: State Appropriations to the Alaska Railroad

A handwritten signature in black ink, appearing to be "Mike Greany", written over the "FROM" field of the memorandum.

At your request we've prepared a list of state appropriations to the Alaska Railroad:

SLA84, Ch. 171, Sec. 319 (Department of Commerce and Economic Development)

Alaska Railroad Acquisition	\$22,271,000 GF
Alaska Railroad Capital Equipment and Improvements	6,000,000 GF
Railroad Working Capital Fund	4,900,000 GF

SLA90, Ch. 208, Sec 145

Locomotives, Rolling Stock, and associated equipment cost (Associated with Wishbone Hill Coal Project)	\$9,000,000
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## ALASKA RAILROAD REVOLVING FUND

ESTIMATES	APPROPRIATIONS
1975 .....\$6,500,000	1975 .....\$6,031,000
1976 .....0	1976 .....9,000,000
1977 .....6,000,000	1977 .....6,000,000
1978 .....3,000,000	1978 .....3,000,000
1979 .....3,000,000	1979 .....9,300,000
1980 .....5,000,000	1980 .....6,500,000
1981 .....10,640,000	1981 .....10,640,000
1981 (Supp.).....2,000,000	1981 (Supp.).....2,000,000
1982 .....6,160,000	1982 .....6,160,000
1983 .....0	1983 (2nd Cont. Res.).....7,600,000
1984 .....0	1984 .....0

FY 1997

110 STAT. 2962

PUBLIC LAW 104-205—SEPT. 30, 1996

PUBLIC LAW

HIGH-SPEED RAIL TRAINSETS AND FACILITIES

For the National Railroad Passenger Corporation, \$80,000,000, to remain available until September 30, 1999, to pursue public/private partnerships for high-speed rail trainset and maintenance facility financing arrangements.

RAILROAD REHABILITATION AND IMPROVEMENT PROGRAM

The Secretary of Transportation is authorized to issue to the Secretary of the Treasury notes or other obligations pursuant to section 512 of the Railroad Revitalization and Regulatory Reform Act of 1976 (Public Law 94-210), as amended, in such amounts and at such times as may be necessary to pay any amounts required pursuant to the guarantee of the principal amount of obligations under sections 511 through 513 of such Act, such authority to exist as long as any such guaranteed obligation is outstanding: *Provided*, That no new loan guarantee commitments shall be made during fiscal year 1997.

NEXT GENERATION HIGH-SPEED RAIL

For necessary expenses for Next Generation High-Speed Rail studies, corridor planning, development, demonstration, and implementation, \$24,757,000, to remain available until expended: *Provided*, That funds under this head may be made available for grants to States for high-speed rail corridor design, feasibility studies, environmental analyses, and track and signal improvements.

TRUST FUND SHARE OF NEXT GENERATION HIGH-SPEED RAIL

(LIQUIDATION OF CONTRACT AUTHORIZATION)

(HIGHWAY TRUST FUND)

For grants and payment of obligations incurred in carrying out the provisions of the High-Speed Ground Transportation program as defined in subsections 1036(c) and 1036(d)(1)(B) of the Intermodal Surface Transportation Efficiency Act of 1991, including planning and environmental analyses, \$2,855,000, to be derived from the Highway Trust Fund and to remain available until expended.

ALASKA RAILROAD REHABILITATION

To enable the Secretary of Transportation to make grants to the Alaska Railroad, \$10,000,000 shall be for capital rehabilitation and improvements benefiting its passenger operations.

RHODE ISLAND RAIL DEVELOPMENT

For the costs associated with construction of a third track on the Northeast Corridor between Davisville and Central Falls, Rhode Island, with sufficient clearance to accommodate double stack freight cars, \$7,000,000 to be matched by the State of Rhode Island or its designee on a dollar for dollar basis and to remain available until expended: *Provided*, That as a condition of accepting such funds, the Providence and Worcester (P&W) Railroad shall enter

Contracts.

into an agreement with the Federal Railroad Administration up to the first \$13,000,000 action initiated by the P&W with Amtrak relating to the Davisville and Central Falls freight operations.

GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

To enable the Secretary of the National Railroad Passenger Corporation, U.S.C. 24104, \$666,450,000 of which \$342,000,000 shall be for mandatory passenger rail vehicles or for the hire of employee, other than the employee on the lease of passenger motor vehicles while in official travel status.

FEDERAL TRAVEL EXPENSES

ADMINISTRATIVE

For necessary administrative expenses of the Administration's program: United States Code, \$41.45

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For necessary expenses under sections 5311, and 5336, to remain available until expended: *Provided*, That no more than \$400,000,000 may be made available for the funds provided under 49 U.S.C. 5336(d): *Provided*, That the amount of assistance provided in areas of less than 200,000 population shall not exceed five percent of the amount eligible to receive under

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ties when the limitation is operating in the area.

FY 1996  
Oct 1 - Sept 30<sup>th</sup>

109 STAT. 446

PUBLIC LAW 104-50—NOV. 15, 1996

PUBLIC LAW

seq.) and 49 U.S.C. 24909, \$115,000,000, to remain available until September 30, 1998.

#### RAILROAD REHABILITATION AND IMPROVEMENT PROGRAM

The Secretary of Transportation is authorized to issue to the Secretary of the Treasury notes or other obligations pursuant to section 512 of the Railroad Revitalization and Regulatory Reform Act of 1976 (Public Law 94-210), as amended, in such amounts and at such times as may be necessary to pay any amounts required pursuant to the guarantee of the principal amount of obligations under sections 511 through 513 of such Act, such authority to exist as long as any such guaranteed obligation is outstanding: *Provided*, That no new loan guarantee commitments shall be made during fiscal year 1996.

#### NATIONAL MAGNETIC LEVITATION PROTOTYPE DEVELOPMENT

(LIMITATION ON OBLIGATIONS)

(HIGHWAY TRUST FUND)

None of the funds in this Act shall be available for the planning or execution of the National Magnetic Levitation Prototype Development program as defined in subsections 1036(b) and 1036(d)(1)(A) of the Intermodal Surface Transportation Efficiency Act of 1991.

#### NEXT GENERATION HIGH SPEED RAIL

For necessary expenses for Next Generation High Speed Rail studies, corridor planning, development, demonstration, and implementation, \$19,205,000, to remain available until expended: *Provided*, That funds under this head may be made available for grants to States for high speed rail corridor design, feasibility studies, environmental analyses and track and signal improvements.

#### TRUST FUND SHARE OF NEXT GENERATION HIGH SPEED RAIL

(LIQUIDATION OF CONTRACT AUTHORIZATION)

(HIGHWAY TRUST FUND)

For grants and payment of obligations incurred in carrying out the provisions of the High Speed Ground Transportation program as defined in subsections 1036(c) and 1036(d)(1)(B) of the Intermodal Surface Transportation Efficiency Act of 1991, including planning and environmental analyses, \$7,118,000, to be derived from the Highway Trust Fund and to remain available until expended: *Provided*, That none of the funds in this Act shall be available for the implementation or execution of programs the obligations for which are in excess of \$5,000,000.

#### ALASKA RAILROAD REHABILITATION

To enable the Secretary of Transportation to make grants to the Alaska Railroad, \$10,000,000 shall be for capital rehabilitation and improvements benefiting its passenger operations.

RHODE ISL

For the costs associated on the Northeast Corridor Rhode Island, with sufficient freight cars, \$1,000,000 to it or its designee on a dollar until expended: *Provided*, funds, the Providence and into an agreement with it or the Federal Railroad Ad up to the first \$6,000,000 action initiated by the P& with Amtrak relating to the Davisville and Central Fall freight operations.

GRANTS TO THE NATIONAL

INCLUDE

To enable the Secretary the National Railroad Pt U.S.C. 24104, \$635,000,00 of which \$305,000,000 shu for mandatory passenger t be for transition costs \$290,000,000 shall be for up to \$15,000,000 of the for capital improvements : be transferred to the No *Provided further*, That fur ments shall not be made *further*, That none of the for lease or purchase of of vehicle operators for president of the Corporati vehicles for those officers :

FEDERAL T

ADMI

For necessary admin Administration's program United States Code, §42,C

For necessary expens 5311, and 5336, to rema *Provided*, That no more shall be available for t the funds provided und than \$400,000,000 may  
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**Alaska Railroad Corporation (AS 42.40.010)**

*The Alaska Railroad Corporation is a public corporation and is an instrumentality of the State within the Department of Commerce and Economic Development. The corporation has a legal existence independent of and separate from the State. The continued operation of the Alaska Railroad by the corporation is considered an essential government function of the State.*

**Purpose:** The board is responsible for the management of the corporation to provide safe, efficient, and economical transportation to meet the overall needs of the State.

**Board Meetings:** The board meets at least once every three months. The chairman or a majority of the members of the board may call other meetings of the board as necessary.

**Board Membership:** The board consists of the commissioner of the Department of Commerce and Economic Development, the commissioner of the Department of Transportation and Public Facilities, and five members appointed by the governor. The five appointed members must be registered voters except as provided. Except for the commissioners and the member appointed under (5) below, a member may not be a state officer or employee. Appointed members shall have the following qualifications:

- (1) one member of the board shall be a person who has at least 10 years of experience in railroad management; a person who is not a resident of the State may be appointed under this paragraph;
- (2) one member of the board shall be or have been an executive official of a United States railroad and shall be selected in accordance with any requirements under 49 U.S.C. (Interstate Commerce Act); a person who is not a resident of the State can be appointed under this paragraph;
- (3) at least one member shall be from each judicial district directly served by the Alaska Railroad;
- (4) one member shall have at least five years experience as an owner or manager of a business in the State; and
- (5) one member shall be an employee who is a member of a bargaining unit representing employees of the corporation.

## Alaska Railroad Corporation

Enabling statutes entitle the Alaska Railroad Corporation's (ARRC) governing board to per diem and travel allowances as authorized by law for members of state boards and commissions as established by the AAM. The applicability of these travel policies and procedures to ARRC's executive director, who has also been appointed as a board member, is not as clear.

The confusion arises because while board members are required to adhere to the AAM, ARRC has been given statutory authority to establish its own internal travel policies and procedures. ARRC's executive director is both an ARRC employee and a member of its governing board.

### Compliance with internal policies and procedures

ARRC has developed a comprehensive set of travel policies and procedures. A review of individual travel expense reports has shown that except for two specific areas, ARRC has complied with their corporate travel policies and procedures. The two specific areas we noted were the purchase of full fare coach tickets without supporting explanation and reimbursement of laundry expenses in excess of that allowed by ARRC policy. Specifically, ARRC procedures require all full fare tickets, except those between Anchorage and Fairbanks, have an explanation of why it was necessary to purchase the full fare instead of a reduced fare ticket. Additionally, ARRC procedures allow the reimbursement of laundry expenses only when they are incurred on trips of more than three nights.

### Compliance with the State's Alaska Administrative Manual

ARRC has not complied with statute requiring its board members follow the AAM's travel policies and procedures. Management was unaware that statute required board member travel comply with AAM's travel provisions. At the time of our review, ARRC did not possess a copy of these policies. Accordingly, our review concluded that important controls over the management of travel mandated by the AAM were lacking. See Recommendation No. 3 in the Findings and Recommendations section of this report. Specifically, we noted three areas of departure from the AAM.

- Pre-approval: Travel by the board, specifically the purpose and estimated costs, did not receive prior approval. ARRC did not obtain from the Department of Administration pre-approval of lodging costs greater than \$200 a night. Additionally, no pre-approval was obtained from the Office of the Governor for foreign travel. The AAM provides for several levels of pre-approval depending on the destination, associated costs, and the types of travel expenses requested for reimbursement. Pre-approval of travel is a control to ensure that the purpose of travel and estimated cost is reasonable and necessary.
- Cost limitations: Standard ARRC procedure is to reimburse meals and lodging based on actual costs incurred. The AAM requires travellers be paid a standard meal

allowance in place of reimbursing for actual meal expenses unless travel is to a foreign country. Further, AAM permits the reimbursement of actual lodging cost only when it can be demonstrated that estimated lodging costs combined with the meal allowance exceed the standard daily per diem allowance. Hotel surveys are required to demonstrate that actual lodging expenses represent the most economical accommodations available.

Additionally, a review of travel expense reports showed that it is common practice for ARRC's to pay the full coach rate for airfare. The AAM requires travel be accomplished by the most direct and efficient means possible. Travellers are directed to procure discounted airfare whenever possible.

- Documentation: Incidental expenses were poorly supported. The AAM requires receipts for all expenses in excess of \$15 and limits the reimbursement of unreceipted expenses to \$30 per trip. A review of travel vouchers showed several instances where board members were reimbursed for unreceipted expenses in excess of \$15.

#### Reimbursement for costs associated with questionable travel

We question whether certain travel costs incurred by ARRC were for a demonstrable public purpose. While some questions relate to the underlying necessity of an entire trip, others are limited to specific travel costs allowed by ARRC. See Recommendation No. 4 in the Findings and Recommendation section of this report.

Examples of specific travel costs allowed by ARRC include: membership fees to airport lounges, fees for personal credit cards, and costs for babysitting services while on travel status. The Alaska Constitution requires that public funds be used only for a public purpose; the items above are generally more personal in nature and should not be allowed.

ARRC's policy allows for the corporation to pay for travel or entertainment expenses of a spouse only for an approved business purpose and with advance written approval of the executive director. In March 1991, the executive director, in a memorandum to the board chairman, requested approval for his wife to accompany him to the National Freight Transportation Association (NFTA) conferences. The approval was requested subject to the railroad's economic condition.

The public purpose served by spousal travel expenses is not readily apparent. Unless the public purpose can be clearly demonstrated, ARRC should not spend corporate funds for such travel costs. Additionally, the federal tax consequences should be thoroughly reviewed by the corporation to ensure that spousal expenses are reported correctly.

Further, the cost/benefit nature of some travel by ARRC is unclear. Specifically, we question the attendance by the executive director, another corporate executive, and their spouses to the semi-annual NFTA conferences. These conferences are intended to be primarily social in nature (see sidebar on the next page).

Also, ARRC's executive director travels to Seattle and Fairbanks several times a year to attend employee group birthday lunches. These events are catered and paid for by the corporation. The luncheons are intended to promote open communication between senior management and line employees. ARRC should re-evaluate benefits derived from employee group birthday lunches to confirm that these benefits exceed their related costs.

ARRC corporate policies require tokens of recognition, appreciation, and sympathy be considered personal expenses and are not reimbursed without proper approvals. However, ARRC paid for the executive director and another corporate executive to travel to Phoenix, Arizona to attend a funeral. We agree with ARRC's basic policy that attending a funeral is inherently personal in nature and the cost in this case should not have been borne by ARRC.

#### Corporate entertainment policies

ARRC has established policies and procedures permitting entertainment expenses.

*Entertainment costs such as meals and refreshments may be submitted for reimbursement only when business directly related to, or associated with, essential ARRC business is conducted during the meal or event. To be reimbursable:*

- A. *There must be actual conduct of business from which the ARRC expects to derive more than a goodwill business benefit OR*
- B. *The entertainment must be in the nature of compensation for services or a prize to non-employees.*

*The business entertaining must occur in a place or in surroundings conducive to a business discussion and must involve a substantial and bona fide business meeting. Expenses must not be lavish or extravagant. Report details of all business entertainment expenses on the back of the expense form. The*

#### NATIONAL FREIGHT TRANSPORTATION ASSOCIATION

The National Freight Transportation Association (NFTA) is a group of about 300 transportation executives and their principal customers. The purpose of the organization and its conferences is to provide opportunities for railroad executives to make contacts. ARRC believes that these contacts increase the level of exposure of the Alaska Railroad to the transportation community of the Continental United States.

The NFTA conferences, unlike traditional business conferences whose agendas commonly include events such as panel discussions, speakers, and training workshops, consist primarily of social events such as tennis and golf. ARRC paid for the executive director and his wife to attend the NFTA conferences. According to the executive director, spouses play an important role in establishing contacts with other individuals.

During fiscal years 1993 and 1994, ARRC paid over \$16,700 for its executive director and spouse to attend the NFTA conferences. We found lodging costs associated with the NFTA conferences to be exceedingly high. Nightly lodging costs ranged from a low of approximately \$370 to a high of over \$600.

*"Business Purpose" must include a description of the business topic(s) of discussion.*

*Entertainment expenses incurred by an employee which do not meet the above criteria are considered personal expenses of the employee and are not reimbursable.*

Additionally, upon pre-approval by the executive director, ARRC policies permit an employee to entertain at his/her home residence. Entertainment and business meal expenses were commonly incurred in conjunction with the executive director and board member travel. ARRC's board of directors and executive director incurred over \$3,100 in business meals and over \$4,400 in entertainment costs in conjunction with travel. Examples of entertainment related expenses include, in part: golf fees, meals including alcohol, and hosting involving foreign travel.

#### Use of legislative lobbyist by ARRC

While reviewing details related to entertainment costs incurred by ARRC we observed that some costs were related to business meals for ARRC corporate executives, legislators, and a lobbyist hired by ARRC.

Alaska Statute 42.40.705 prohibits the use of ARRC money, assets, or property of the corporation to be used for political activities. However, the statute does allow board members and employees to communicate with and appear before committees of Congress, the legislature, and municipal governing bodies in connection with matters directly affecting the corporation.

The use of corporate assets for business meals attended by ARRC employees, legislators, and a lobbyist appears to be in conflict with AS 42.40.705. ARRC should establish clearer guidelines for what costs can be incurred when "communicating" with the legislature. Additionally, while the statute provides for board members and employees to communicate with and appear before the legislature, it does not provide for corporate assets to pay for non-employees. As a result, it appears the use of corporate funds to pay for the services of a registered lobbyist is in violation of AS 42.40.705.

## Alaska Railroad Corporation

### Recommendation No. 3

#### ARRC board should comply with AAM travel policies and procedures.

Alaska Statute 42.40.050 entitles ARRC's board to per diem and travel allowances authorized by law for members of state boards and commissions. Alaska Statute 39.20.180 requires that members of state boards and commissions adhere to travel policies and procedures adopted by the commissioner of the Department of Administration as established by the AAM.

Currently, ARRC's governing board is following the corporation's internal travel policies and procedures. A comparison of ARRC's internal policies and procedures to those in the AAM identified several material differences. A discussion of the significant differences follows:

- Pre-approval: The AAM provides for several levels of pre-approval depending on the destination, associated costs, and the types of travel expenses requested for reimbursement. ARRC procedures do not require any formal approval for board travel.
- Cost limitations: The AAM requires travellers be paid a standard meal allowance in place of reimbursing for actual meal expenses unless travel is to a foreign country. Further, AAM permits the reimbursement of actual lodging cost only when it can be demonstrated that estimated lodging costs and meal allowance exceed the standard daily per diem allowance. Hotel surveys are required to demonstrate that actual lodging expenses represent the most economical accommodations available. Standard ARRC procedure is to reimburse meals and lodging based on actual costs incurred.

A review of travel expense reports showed that it is ARRC's common practice to pay the full coach rate for airfare. The AAM requires travel be accomplished by the most direct and efficient means possible. Travellers are directed to procure discounted airfare whenever possible.

- Documentation: The AAM requires receipts for all individual expenses in excess of \$15 and limits the reimbursement of unreceipted expenses to \$30 per trip. ARRC requires receipts for only those expenses whose total exceeds \$25 per day.

ARRC's corporate policies are generally less restrictive than those in the AAM. While the board has historically followed the less restrictive corporate policies, statute requires that the board adhere to the more restrictive AAM travel policies and procedures.

Therefore, we recommend ARRC establish the procedures necessary for processing board travel expense reports in compliance with the State's AAM.

#### Recommendation No. 4

#### ARRC should limit travel expenses to only those necessary to conduct official ARRC business.

A review of travel expense reports identified specific expenses which we believe are unnecessary, unreasonable, or both. Unnecessary travel-related expenses included: membership fees to airport lounges, fees for personal credit cards, cost for babysitting services, and travel expenses to attend a funeral out of the State. Unreasonable costs include nightly lodging costs associated with the NFTA conferences that ranged from approximately \$370 to over \$600. Costs incurred as a result of spouses attending NFTA conferences are both unnecessary and unreasonable.

The Alaska Constitution provides that public funds be used only for a public purpose. ARRC management, as custodians of the public's funds, is responsible for administering this constitutional provision. ARRC's governing board and executive director have a pivotal role in setting the standard for permissible travel expenses allowed by the corporation. These standards contribute to the overall control environment of the corporation.

Many factors should be considered prior to the approval of travel and its related costs. These factors should include determining: if the purpose of the trip is consistent with the corporation's mission, if the purpose and related cost are consistent with constitutional and statutory restrictions, and if the financial condition of the corporation allows for the travel-related costs. Once travel has been determined to be consistent with the corporation's mission and is in compliance with constitutional and statutory provisions, the cost of travel should be weighed against the benefits expected to be obtained.

ARRC management believes the travel costs identified above were necessary and reasonable and, therefore, represent valid corporate expenses. We believe that this conclusion by ARRC management does not give sufficient weight to limiting the use of corporate funds for expenses that are clearly for a public purpose. As a result, corporate funds are being used for costs that are unnecessary and/or unreasonable.

Therefore, we recommend ARRC limit the use of corporate funds for business-related travel expenses that are both necessary and reasonable. Further, ARRC should amend travel procedures to eliminate the provisions that allow corporate funds to be used for inappropriate travel costs.

# ALASKA RAILROAD CORPORATION



Corporate Address: P.O. Box 107500, Anchorage, Alaska 99510  
327 W. Ship Creek Avenue, Anchorage, Alaska 99501

VIA FACSIMILE AND EXPRESS MAIL  
December 28, 1994

EXECUTIVE OFFICES  
Telephone (907) 265-2414  
Facsimile (907) 258-1456

Randy S. Welker  
Legislative Auditor  
Division of Legislative Audit  
Legislative Budget and Audit Committee  
Alaska State Legislature  
P.O. Box 113300  
Juneau, Alaska 99811-3300

RECEIVED  
DEC 29 1994

LEGISLATIVE AUDIT

Dear Mr. Welker:

Thank you for the opportunity to respond to the preliminary report on Governmental Corporations' Travel Expenses. We are pleased by your findings that we are in compliance with Alaska Railroad Corporation's ("ARRC's") comprehensive internal travel policies and procedures.

While several of the report's comments, especially regarding the need to travel as economically as possible, are well taken, we are concerned with the report's basic premise of treating ARRC as if it were a State line agency. As you are aware, ARRC was established by the 1984 Alaska State Legislature as an independent corporation managed by a seven member board of directors. According to the legislative findings that form the preamble to the Alaska Railroad Corporation Act ("ARCA"), our directors are exclusively responsible for the management of the financial and legal obligations of the corporation. To that end, ARCA exempts ARRC from various budgetary statutes (for example, wholesale provisions of Title 37 of the Alaska Statutes, "Public Finance"), as well as other statutes that would unduly restrict its ability to operate competitively as a quasi-public, quasi-private transportation company.

As you are also aware, the ARRC does not operate on appropriations from the State treasury; instead, it is mandated to fulfill its mission on a self-sustaining basis, operating as an interstate common rail carrier. To date, we have complied with this legislative mandate. ARRC has and will continue to comply with all provisions of State statutes that are expressly applicable to it as an independent corporation.

We will respond to specific issues raised by your report in the order in which they were presented.

receipts for such expenses are produced. We believe those procedures provide appropriate control, and the process saves the corporation money. Unnecessary and unwarranted expenses are never reimbursed. Moreover, the cost of administering wholly separate systems of accounting controls for reimbursing directors and employees would surely be inconsistent with the corporate mandate of prudent and sound business management practices.

Recommendation No. 4

We agree that ARRC funds should be administered to insure that the use of corporate funds for business-related travel expenses are both necessary and reasonable. This is mandated by the legislative direction to follow sound business practices as well as a general sense of frugality in the current business climate. We have made every attempt to achieve these goals and agree that some change in our internal procedures is warranted. However, it is important to recognize that railroad industry customs and the highly competitive transportation arena in which we operate influence many of the choices we make, which may not be customary in government practice. Your report strongly criticizes ARRC's attendance at the National Freight Transportation Association ("NFTA") conferences. NFTA has been in continuous existence since 1905. Since then, senior executives of every major rail, water and truck carrier in North America have been attending these meetings along with their principal freight transportation users. It is also customary and expected that spouses attend and play a significant role in the networking process that occurs throughout the meeting.

It is doubtful that this practice would have continued for 90 years if no value came from these meetings. In addition, the cost to ARRC in both money and time for the same two executive officers to attend separate meetings with key industry leaders and our principal customers (in other words, to derive the same value) would be enormous. While it is true that the meetings include an array of social activities, the contacts that ARRC has been able to make at these meetings have proven to be valuable to the corporation. We are convinced that our attendance at NFTA is vital to our business health. However, we will continually reappraise all such outside activities to ensure the corporation receives a benefit at least equal to the cost of the activity.

Use of Legislative Lobbyist

Lastly, your report states that ARRC's employment of a registered lobbyist to communicate with the legislature on ARRC's behalf on matters affecting the corporation "appears" to violate the ban on political activities found in AS 42.40.705. We believe this statement is incorrect for two reasons.

First, it is our understanding that the phrase "political activities" refers only to those

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

# ALASKA RAILROAD CORPORATION



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VIA FACSIMILE AND EXPRESS MAIL

December 28, 1994

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We will respond to specific issues raised by your report in the order in which they were presented.

Letter to Mr. Welker  
December 28, 1994  
Page 2

Compliance with the State's Alaska Administrative Manual ("AAM")

Your statement that the ARRC has not complied with the statute requiring its board members to follow the AAM's travel policies and procedures incorrectly assumes that the AAM applies to ARRC. First, the legislature intended to exempt ARRC from all of the provisions of Title 39 which includes the state travel regulations. See AS 42.40.710. This is readily apparent because the State does not pay for ARRC travel as it is required to do so for other state agencies. See AS 39.20.110 et seq.

Second, the corporation's governing statute, AS.42.40.050(b), specifically provides that appointed members of the board are "entitled" to per diem and travel expenses authorized by law for state boards and commissions, but it does not set a maximum amount or incorporate the AAM procedures by reference. Any suggestion that the Department of Administration or any other office, none of which have knowledge or expertise in railroad administration, should opine on the appropriateness of a board member's proposed travel flies in the face of logic. This is especially so in light of the exclusive authority over ARRC finances vested in the Board by ARCA and, also, the lack of any legislative appropriations to the corporation.

ARRC has provided the entitlement authorized by ARCA to its directors, and does so through its own internal travel policy and procedures which were established shortly after incorporation. Full reimbursement of director expenses is made from funds generated by the corporation, not from appropriated monies.

Your report also states that it is common practice for ARRC to pay the full coach rate for air fare. This is inaccurate, because the ARRC has always attempted to obtain the best fare available. Many of the trips cited in your report were for short periods of two or three days in the middle of the week without a Saturday night stop-over. Most airline fare structures require a Saturday night stop-over to obtain the lowest possible fare. Without a week-end stay, the rate increases substantially. The busy schedules of ARRC directors do not always allow an opportunity for an individual to stay additional days to accommodate the Saturday night requirement.

Recommendation No. 3

As discussed above, we believe the reimbursement of actual expenses to our directors does not violate any statute since AS.42.40.050(b) merely establishes a minimum level of "entitlement" to per diem and expenses and does not prohibit ARRC from providing full reimbursement.

Our internal travel procedures allow for reimbursement of expenses when adequate justification is provided that travel is necessary, the expenses are reasonable, and

Letter to Mr. Welker  
December 28, 1994  
Page 3

receipts for such expenses are produced. We believe those procedures provide appropriate control, and the process saves the corporation money. Unnecessary and unwarranted expenses are never reimbursed. Moreover, the cost of administering wholly separate systems of accounting controls for reimbursing directors and employees would surely be inconsistent with the corporate mandate of prudent and sound business management practices.

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It is doubtful that this practice would have continued for 90 years if no value came from these meetings. In addition, the cost to ARRC in both money and time for the same two executive officers to attend separate meetings with key industry leaders and our principal customers (in other words, to derive the same value) would be enormous. While it is true that the meetings include an array of social activities, the contacts that ARRC has been able to make at these meetings have proven to be valuable to the corporation. We are convinced that our attendance at NFTA is vital to our business health. However, we will continually reappraise all such outside activities to ensure the corporation receives a benefit at least equal to the cost of the activity.

#### Use of Legislative Lobbyist

Lastly, your report states that ARRC's employment of a registered lobbyist to communicate with the legislature on ARRC's behalf on matters affecting the corporation "appears" to violate the ban on political activities found in AS 42.40.705. We believe this statement is incorrect for two reasons.

First, it is our understanding that the phrase "political activities" refers only to those

Letter to Mr. Welker  
December 28, 1994  
Page 4

activities related to a partisan election campaign. Our research indicates that the purpose of laws prohibiting the expenditure of public funds on political activities is to prevent the holders of government authority from perpetuating themselves or their allies in office. Legal authorities which have discussed this issue draw a distinction between the impermissible use of public funds to support a particular candidate or ballot initiative and the generally accepted practice of expending public funds by government agencies for legislative "lobbying" efforts. The reason for this distinction is that while the use of public funds to support a particular candidate undermines or distorts the political process, the legislative process in fact contemplates that all interested parties, including public agencies, will attend legislative hearings to explain the potential benefits or detriments of proposed legislation. See, e.g., Alaska Attorney General's Opinion J-66-690-81.

Second, AS 42.40.705 specifically grants ARRC the authority to engage in "lobbying" types of activities. Since ARRC has the express authority to communicate with the Alaska Legislature on matters affecting the corporation, we believe that it is irrelevant whether such activity is performed by an employee, a board member or a person temporarily employed to provide this service. Since ARRC has no employees based in Juneau, it is much more cost efficient for ARRC to hire a Juneau resident to act as our legislative representative than to send one of our employees to Juneau for four months. In short, contracting for such services with an individual who resides in Juneau and has considerable experience with the Alaska Railroad makes good business sense.

Thank you again for the opportunity to comment on the draft report. We hope the information contained in this letter assists your staff in understanding the unique position of ARRC under its governing statutes.

Sincerely,



Robert S. Hatfield, Jr.  
President & Chief Executive Officer

cc: ARRC Directors

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

January 5, 1995

Members of the Legislative Budget  
and Audit Committee:

We have reviewed the responses to our preliminary report from all corporations and have the following comments and clarification on the following.

### Alaska Aerospace Development Corporation (AADC)

AADC stated that its internal audit of travel-related transactions occurred prior to notification of our audit. Per our review of AADC's internal audit, documents were revised beginning approximately July 6, 1994. While our on-site review of AADC board member and executive director travel did not occur until August 8, 1994, an engagement letter announcing the purpose of our audit was mailed to AADC July 1, 1994. Since AADC's internal audit of travel commenced in July and an engagement letter was mailed to AADC July 1, 1994, we concluded that AADC's internal audit of travel expenses was concurrent with our review.

### Alaska Railroad Corporation (ARRC)

Before responding to specific points raised in ARRC's response to our preliminary report, we will first comment on ARRC's existence as a governmental corporation. ARRC argues that the audit treated ARRC as it would a typical state line agency and specifically states that "ARRC does not operate on appropriations from the State treasury." ARRC also opines that exclusive authority over ARRC finances, including travel expenses of its board, rests with ARRC's board of directors and again sites the lack of legislative appropriations to the corporation.

We recognize that the originating statutes exempt ARRC from a number of statutes and regulations which effectively gives the corporation much more administrative independence than permitted to more traditional state agencies. However, it should be noted that all assets of the corporation are owned solely by the State. Therefore the residents of Alaska and certainly the legislature, which represents the residents of Alaska, have the vested right to be informed on the financial soundness of the corporation's management practices and the

economic stability of the corporation as a whole. It is under this basic premise that our audit reviews the travel expenses of ARRC's board members and executive director, just as it does the other nine governmental corporation within our scope.

In general, ARRC takes exception to the application of the State's Administrative Manual travel guidelines to the travel expenses of ARRC's board members. ARRC bases this on two specific points. First, ARRC argues that Alaska Statute 42.40.710 intended to exempt the corporation from Title 39 which includes the state travel regulations. Alaska Statute 42.40.710 reads, in part, "*the provisions of AS 39 do not apply to employees of the corporation.*" (emphasis added)

We recognize that this passage exempts the *employees* of the corporation from the State's general travel guidelines. However, ARRC's board members, with the exception of Robert Hatfield Jr., who also serves as CEO, are not employees of the corporation and do not fall under this exemption. Further, the board of directors is explicitly tied to state travel guidelines by Alaska Statute 42.40.050(b) which reads: "*In addition to compensation under (a) of this section, an appointed member of the board is entitled to per diem and travel expenses authorized by law for state boards and commissions.*"

As established in the Background Information section of the audit, members of state boards are entitled to reimbursement of travel related expenses to the same extent and under the same conditions, as provided for state employees and officials. Travel regulations are addressed as policies and procedures in the State's Administrative Manual. Therefore, we continue to conclude that the travel provisions of the State's Administrative Manual apply to ARRC's board of directors.

Secondly, ARRC argues that the word "entitled" in the above statute merely establishes a minimum level of reimbursement for travel related expenses and does not prohibit ARRC for paying more than the travel provisions of the State's Administrative Manual permit. We disagree with the interpretation that the word entitle sets a minimum level of reimbursement.

The Blacks Law Dictionary sixth edition defines the word entitle as "*to qualify for; to furnish with proper grounds for seeking or claiming.*"

We therefore interpret "entitle" in the above statute as meaning a member of the board of directors has proper grounds for claiming travel expenses as would a member of a state board or commission. Hence, no proper ground exists by which ARRC board members may seek payment of travel expenses prohibited by the State's Administrative Manual.

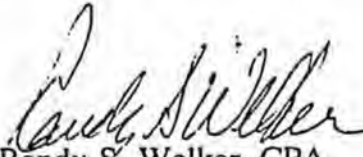
We have also reviewed ARRC's position that the use of a lobbyist does not violate the ban on political activities found in Alaska Statute 42.40.705. In light of ARRC's comments, we continue to emphasize the need for clear guidelines as to what constitutes permissible "communication" with the legislature and what constitutes the unlawful use of ARRC assets for political activities. Further, we continue to be unable to reconcile the expenditure of

ARRC funds to hire a registered lobbyist with the statutory prohibition against the use of funds for political activities found in Alaska Statute 42.40.705.

Alaska Science and Technology Foundation (ASTF)

ASTF notes that the audit identifies the incorrect board member as chairman. In response to this new information, we have updated the report to recognize the appropriate ASTF board member as chairman.

The administrative authority for the Alaska Science and Technology Foundation was transferred from the Department of Revenue to the Department of Commerce and Economic Development effective July 1, 1994. We acknowledge that the recent transfer of administrative authority has led to the strengthening of controls over most of the issues identified in the report.

  
Randy S. Welker, CPA  
Legislative Auditor

## Alaska Railroad Reserves

The Alaska Railroad Corporation holds 36,000 + acres of land, of which 22,000 acres are affected by rail operations. 'Mainline' Right of Ways from Seward to Eielson, and including the Whittier to Portage line total 12,400+ acres. The balance of operating land is contained in rail yards at Seward, Whittier, Anchorage, and Fairbanks.

The Corporation may lease non-operating lands for up to 35 years. Lease rates are established by independent appraisal. ARRC currently has approximately three hundred active leases. The Corporation utilizes a permit system for short-term uses and for use of operating lands. Many permits are non revenue, contributing only an administrative fee. A number of permits are issued for public access such as roads, railroad crossings, and utilities. There are currently over 500 permits.

Below is a table which shows the number of acres of ARRC land within each borough or city.

City/Borough	Total Area	Federal	State	ARRC
Kenai	6,238,025	3,461,340	1,569,639	380
Whittier	(City) 600	n/a	4,325	291
Municipality of Anchorage	1,251,620	927	494,976	2,629
Matanuska-Susitna	16,056,576	1008	64182	9,775
Denali	8,192,000	unavailable	unavailable	8,716
Nenana	5,440	n/a	n/a	264
Fairbanks North Star	4,711,040	1,681,607	1,498,522	454
Valdez	172,800	n/a	n/a	86

On the following pages, we have listed and described each ARRC reserve by boroc

## KENAI PENINSULA BOROUGH

City/Borough	Total Area	Federal	State	ARRC
Kenai	6,238,025.78	3,461,340.90	1,569,639.05	380

### Seward

The ARRC reserve in Seward is largely industrial property behind the coal dock and railroad general purpose dock.

A substantial portion of the reserve is developed to support the export of coal. In addition export logs and pipe imports are handled through this facility. Currently, virtually all cruise ship traffic to South Central Alaska crosses the ARRC general purpose dock. This dock facility also supports the Marine Highway system.

The Railroad and the City of Seward have co-developed a port master plan for additional facilities to meet the increase in the cruise ship industry, while providing improved facilities for the Marine Highway System. The ARRC is actively promoting Seward as a passenger destination and uses a portion of the reserve for a passenger track and depot facility.

### Crown Point

Crown Point is an operating reserve used extensively as a transfer point for logs, construction material and rail/truck commodities i.e. liquefied petroleum gas for railroad use and customers. Freight destined for the Kenai Peninsula transloaded at Crown Point.

### Moose Pass

Moose Pass is an operating reserve with sidings for staging railroad material including environmental response handling material.

## WHITTIER AND VALDEZ

City/Borough	Total Area	Federal	State	ARRC
Whittier	(City) 600	n/a	4325	291
Valdez	172,800	n/a	n/a	86

### Whittier

The Whittier reserve was created by the military to provide a second ice-free port for South Central Alaska during World War II. It is the location of the South Central Alaska rail-barge connection to Prince Rupert and Seattle. Whittier also serves as a regional port for the Alaska Marine Highway System and the fishing industry.

The DOD petroleum importation facility is currently being closed; however, the City of Whittier is working with the ARRC and the natural gas industry to support a compressed natural gas (CNG) facility and transshipment facility to other coastal Alaska communities. The proposed CNG plant would occupy the available reserve lands at the head of Passage Canal. Additionally, the City is working with the Corps of Engineers and the ARRC to expand the small boat harbor to support tourism and small fishing industry.

### Valdez

The Valdez reserve was acquired by the then federal railroad to support construction for the pipeline. It is located in the old Valdez town site area which is zoned industrial today, and support petroleum and construction businesses.

**MUNICIPALITY OF ANCHORAGE  
(MOA)**

City/Borough	Total Area	Federal	State	ARRC
Municipality of Anchorage	1,251,620	927	494,976	2629

**Portage**

The bulk of the Portage reserve is now wetlands as a result of the subsidence following the 1964 earthquake. The existing filled lands are an operating reserve supporting access to Whittier which is ARRC's rail-barge terminus.

ARRC has initiated a wetlands banking program to meet mitigation requirements under federal regulations. As an example, ARRC provided wetlands for DOT to mitigate for wetlands used in the widening of the highway through the Palmer flats and mitigation wetlands for Lynden Inc. in the Anchorage port area. Portage represents a large portion of ARRC's wetlands bank.

**Anchorage**

Anchorage is, of course, the original construction headquarters for the Railroad. Today it continues to house the ARRC's primary offices, shops, yard, and passenger depot. In the port area, to the north of the yard, are the petroleum storage tank facilities owned by ARRC's customers and served by the Port of Anchorage. The ARRC port area is 100 percent occupied with additional rail users--barge traffic, stevedoring and most recently the proposed "North Star" modular fabrication site. To the south and east of the yard, are industrial properties that have been developed by ARRC. The Port of Anchorage and ARRC's freight facility handle 80% of the goods shipped to Alaska.

South of the yard is the Ship Creek redevelopment area which will provide new tourism and business opportunities for downtown Anchorage--by providing additional facilities such as an IMAX theater, restaurants, and other creek front development. Little of the Anchorage reserve remains undeveloped. The redevelopment and port areas are in the process of being improved or enhanced by projects such as the coastal trail which has completed a design study to be located along Ship Creek connecting downtown, Government Hill, and Mountain View.

**Eagle River**

This property is approximately one third the size of the ARRC's original dispute settlement with the Eklutna Native Corporation at the time of the transfer of the Railroad to the State reduced this reserve in size. ARRC's property divides Eklutna's parcels. ARRC recently agreed in concept with Eklutna Native Corporation to consider exchanging land in this area for Eklutna property in the vicinity of the Birchwood Reserve.

## Birchwood

ARRC property at Birchwood is an operating reserve serving customers adjacent to the Birchwood airport. Referring to the Eklutna Inc. exchange of property, the additional area in Birchwood would permit relocation of ARRC's main line leaving property better configured to support expansion of the Birchwood airport and related activity.

## MATANUSKA SUSITNA BOROUGH

City/Borough	Total Area	Federal	State	ARRC
Matanuska-Susitna	16,056,576	1,008.27	64,182.26	9775

### Talkeetna

A significant portion of the Talkeetna reserve lies in the flood plain or riverbed of the Talkeetna and Susitna rivers. ARRC has worked with Talkeetna Chamber of Commerce to provide sufficient access to address their parking and traffic problems in the original Talkeetna townsite. Other recent activity includes leases with the City and State for improving the boat launch and improvements to the passenger depot to accommodate increased tourism.

Local entrepreneurs are developing RV facilities and other tourism related businesses. Talkeetna, traditionally served by the railbelt, is increasingly a focal point for the expanding tourist industry especially with its proximity to Denali Park as evidenced by the new Princess hotel to the north. Tour groups currently use the railroad to transport travelers to various destinations along the railbelt connecting with local businesses and vendors.

### Curry

The Curry reserve is the historical mid-point of travel on the Railroad from Seward to Fairbanks. In its hey day, Curry supported a hotel, ski slope, golf course, air strip, and access across the river to Curry ridge. Although the original facilities are no longer there, the Railroad has been contacted by tourism industry to redevelop some of those facilities as part of the railbelt tourism network. The balance of this property could then be subdivided to provide rural recreational sites.

### Hurricane

Hurricane remains one of the best opportunities for continuing to support tourism growth near Denali with property that is both rail and highway served. ARRC has received inquiries from one of the larger tour companies in this area. As mentioned above, once sufficient land has been designated to support a primary tourism facility, the balance could be subdivided to provide rural recreation sites.

## DENALI BOROUGH

City/Borough	Total Area	Federal	State	ARRC
Denali	8,192,000	unavailable	unavailable	8716

### **Healy**

The Healy reserve had its origins in providing coal for the railroad as well as communities along the railbelt and remains active in this role today. Substantial portions of this reserve are leased directly to Usibelli Coal Mine as part of their active mining operation. Usibelli also leases a portion of this reserve as a residential subdivision which provides housing sites for its employees. Healy also has a rail yard that supports the local and export coal hauls.

### **Clear**

The Clear reserve is originally a construction reserve and remains active today as a source of ballast for maintenance of the north end of the railroad. ARRC has a small soil remediation facility on this property for hydro-carbon contaminated soils.

In 1993, ARRC evaluated this site as a potential site for a regional landfill in response to problems Fairbanks, Denali Borough, and smaller railbelt communities had in meeting EPA regulations. There was considerable negative response from local residents. The landfill problem remains unresolved today.

## NENANA

City/Borough	Total Area	Federal	State	ARRC
Nenana	5440	n/a	n/a	264

### Nenana

The Nenana reserve remains today an operational reserve related to logging and transfer of materials for transportation by barge up and down the river. Much of this reserve is leased to the City of Nenana.

## FAIRBANKS NORTH STAR BOROUGH

City/Borough	Total Area	Federal	State	ARRC
Fairbanks North Star	4,711,040	1,681,607	1,498,522	454

### Fairbanks

The Fairbanks reserve contains ARRC's northern yard and shop facility. ARRC's three largest car fleets (petroleum, coal, and passenger) are serviced here. Freight from the Seward, Whittier and Anchorage ports is destined here for transloading to the Fairbanks area and the North Slope.

Fairbanks is a primary passenger origin/destination point. Property south of the yard on the Chena River is the location of the new passenger depot and a hotel, RV park and other related tourism development.

Governor Bill Sheffield  
Pouch A  
Juneau, AK. 99811

Senator Jalmar Kerttula  
President, Alaska State Senate  
Pouch V  
Juneau, AK. 99811

Representative Joe Hayes  
Speaker, Alaska House of Representatives  
Pouch V  
Juneau, AK. 99811

Gentlemen:

Enclosed herewith is the Interim Report of the Alaska Railroad Transfer Advisory Commission. This report is the product of ten months of public hearing, deliberation, and intensive analysis of the alternatives for management and operation of the Alaska Railroad after transfer from the federal government has been accomplished.

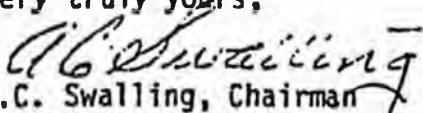
The Commission met a total of nine times in Anchorage, Fairbanks and Juneau. The Commission listened to over fifty hours of public testimony from individuals and groups from literally every corner of the State of Alaska. In addition, we have analyzed almost 1,000 pages of documents and submissions from interested individuals and groups.

In fulfillment of our legislatively mandated duties, we hereby formally tender this report to you for your consideration during the coming months as the transfer of the Alaska Railroad approaches. We hope you will find it helpful not only for the specific recommendation it contains but as a source of information about the wishes, desires and hopes of the people of the State of Alaska.

It should be mentioned that not all Commission members share each and every view expressed within this document. The combination of the change in State Administrations and the convening of the State Legislature made it difficult for the public officials on the Commission to attend all sessions. In many cases, the views expressed in the Interim Report represent an attempt by the Commission to summarize for your consideration consensus opinions heard again and again during public testimony. We feel this provides you with the full benefit of this information as it was expressed to us.

On behalf of the entire commission, I would like to thank you for the opportunity of serving the people of the State in this most important and worthwhile endeavor.

Very truly yours,

  
A.C. Swalling, Chairman  
Alaska Railroad Transfer Advisory Commission

## EXECUTIVE SUMMARY

The Alaska Railroad Transfer Advisory Commission met a total of nine times in Anchorage, Fairbanks and Juneau. The Commission listened to over fifty hours of public testimony and heard from over fifty individuals and groups regarding all aspects of the transfer of the Alaska Railroad from federal to state control. This Executive Summary is a compilation of the major policy recommendations of the Commission and a list of specific changes pending state legislation which the Commission feels are most important.

### I--POLICY RECOMMENDATIONS OF THE COMMISSION

1. The railroad should eventually be owned and/or operated by private industry. Almost unanimously those testifying before the Commission felt strongly that it was in the best interests of the people of the State of Alaska and the best interests of the railroad to plan for the eventual transfer of the ownership and/or operation of the railroad to private industry.

2. Plans for expansion of the railroad should begin immediately. The Commission recommends the immediate preparation and filing of five right-of-way applications: (1) to Delta, (2) to Canada, (3) to Kenai, (4) to Beluga, (5) to Tanana and Kobuk/Ambler.

3. The railroad should cooperate with local governments. The Commission urges the State not to compete with local governments in the operation of railroad-related facilities, such as ports, which are historically operated by local governments.

4. The railroad should expand into connecting services by contracting with private enterprise. The Commission urges that the policy of the Alaska Railroad should be that, to the maximum extent possible, expansion should occur by contracting private enterprise and by not competing in a service area previously provided by private industry.

5. The interim operation of the railroad should be conducted by an independent authority under a separate department on a temporary basis. The Commission feels that the short term management of the railroad is critical to the overall future of the railroad and the state. Therefore, the Commission recommends the creation of an independent authority under a department of state government on a temporary basis as for in Article III, Section 22 of the Alaska Constitution....

6. State oversight of the railroad should be kept at a minimum. The Commission recommends that only the bare minimum of oversight consistent with good public policy be provided for in the legislation and that the legislation specifically provide for a public process so that policy determinations made by the board are based upon adequate public input.

7. Alaska railroad mineral rights should be preserved. The Commission recommends that any authority or private operator of the railroad should be able to utilize all subsurface resources and railroad land for railroad purposes without any restriction as to ownership or use of those resources which might otherwise be applicable under existing state law.

8. Additional appropriation for the Commission. The Commission feels that to adequately fulfill its legislative mandate between the date of this interim report and the final transfer of the Alaska Railroad to the State, an appropriation in the amount of \$75,000.00 is essential. This amount will provide the Commission with the ability to hire the necessary staff and incur necessary operational expenses so that a final report can be prepared.

## II--SPECIFIC RECOMMENDATIONS FOR CHANGES IN PENDING STATE LEGISLATION

In the body of the report, the Commission makes numerous recommendations for specific changes in SB10, pending state legislation accepting transfer of the railroad. However, in this Executive Summary the Commission would like to call attention to a few specific matters which it considers to be critical.

1. The Commission urges that a seven-member board of commissioners be established for the railroad authority. Balanced geographic distribution for the board is critical and the Commission recommends that at least two members be from areas served by the railroad north of Windy Pass and at least two from south of Windy Pass.

2. If consistent with law, the Commission recommends that the Commissioner of Transportation and Public Facilities be a non-voting member of the authority.

3. The Commission recommends that a representative from the employee bargaining units and the general manager Alaska Railroad be non-voting members of the board of Commissioners.

4. Consistent with federal legislation, all bargaining agreements should be honored and maintained for a period of time until renegotiation can be accomplished smoothly and without disruption of rail service.

**SB**

**46**

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 1/13/97

FURTHER: State Affairs

Date of 5-Day Notice: 1-30-97  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2-4-97

Transportation Committee considered SENATE BILL NO. 46

"An Act naming a new maritime vessel for the Alaska Marine Highway System; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Vick Helford</i>	✓				
<i>Conn Wells</i>	✓				
<del><i>[Signature]</i></del>	✓				
<i>Lydia Green</i>	✓				
<b>CHAIR:</b> <i>Joy Ward</i>	✓	<b>CHAIR:</b>			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>DOT/PE</i>	<i>1/13/97</i>	✓	

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*Include fiscal notes accompanying Governor's bill

TONY KNOWLES  
GOVERNOR



P O Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500  
Fax (907) 465 3532

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 13, 1997

The Honorable Mike Miller  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear President Miller:

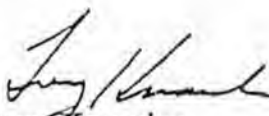
I am pleased to transmit this bill to you naming the latest addition to the state's marine highway fleet the Motor Vessel Kennicott.

This name complies with state law requiring the name of our maritime vessels be that of an Alaska glacier. But I think it's especially terrific this name was selected through a statewide essay contest conducted in our schools. The winning name was nominated by Leah Jarvis, a student at Glennallen Elementary School in Copper Center, Alaska.

A joint legislative and executive branch committee consisting of Lieutenant Governor Fran Ulmer, former Senate President Drue Pearce, and House Speaker Gail Phillips chose Leah's essay as the best one from among the numerous entries.

The Motor Vessel Kennicott will provide valuable service to the state for many years. Its name appropriately reflects one of Alaska's beautiful scenic wonders. I urge your favorable consideration of this bill and your joining me in congratulating Leah and all of the students who participated in this contest.

Sincerely,

  
Tony Knowles  
Governor

# FISCAL NOTE

No. 1

Bill Version: SB46

(S) Publish Date: 1/3/97

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

Revision Date: 12/26/96 Dept. Affected: DOT,PF  
 Title: "An act for naming the new ferry" BRU: New  
 Component: New  
 Sponsor: Rules Committee  
 Requester: Governor's Office COMPONENT SERIAL NO. N/A

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY97) cost: \$ 0.0

**POSITIONS**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0


**ANALYSIS:** (Attach a separate page if necessary)

This resolution would have no fiscal impact on the Department of Transportation and Public Facilities. The department supports an act naming the new ocean-class marine highway vessel.

Prepared by: Gary L. Hayden, System Director  
 Division: Alaska Marine Highway System  
 Approved by: Joseph L. Perkins  
 Agency: Department of Transportation and Public Facilities

Phone: 465-3959  
 Date: 12/26/96  
 Date: 12/27/96

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 For further distribution information, call the Governor's Legislative Office

  
**FRAN ULMER**  
LIEUTENANT GOVERNOR  
STATE OF ALASKA

January 31, 1997

Senator Jerry Ward, Chair  
Senate Transportation Committee  
State Capitol - Rm. 423  
Juneau, AK 99811

Dear Senator Ward:

Thank you for scheduling SB 46 for a hearing in the Senate Transportation Committee on February 4. As you probably know, Alaska Statute 19.65.020 requires that ferries be named after glaciers. There are 609 named glaciers in Alaska. To help us choose a name, we ran a statewide essay contest among 6th through 8th grade children in November. Over 200 students across the state participated.

All essays went through preliminary judging, first at the local school level and at the school district level. The best of these essays were sent to the Department of Education where a team of judges (Dr. Roger Pearson, head of the University of Alaska Fairbanks Geography Department; Judy Bittner, Director of the state Office of History and Archaeology; Tom Stewart, a retired Juneau judge; and Judith Entwife, former Language Arts Specialist for the Department of Education) chose the ten best and forwarded them on for the final judging round.

On January 9, Senator Drue Pearce, House Speaker Gail Phillips and I met to make the final selection. After much discussion, we chose the essay and name submitted by 11-year old Leah Jarvis of Copper Center. "Kennicott," according to Leah, "is a great ferry name because it is a well known name and it isn't an obscure glacier that tourists can't see and have never heard of. It drains into the Gulf of Alaska, it is adjacent to a mine that is a big part of Alaska history, it is beautiful, and it was named for a famous explorer."

I have included a copy of Leah's essay as background material. Also enclosed is a copy of the contest rules, the judging criteria sent to all schools, and various press releases which explain the contest. Again, thank you for hearing SB 46 in a timely manner. Please let me know if you have questions or need more information regarding this bill.

Sincerely,



Fran Ulmer  
Lieutenant Governor

State of Alaska

# Office of the Lieutenant Governor

**FRAN ULMER**  
Lieutenant Governor  
Post Office Box 110015  
Juneau, Alaska 99811-0015  
**NEWS RELEASE**



**CONTACT:**  
Glenda Carino  
907-465-3520  
FAX: 907-465-5400

Fran\_Ulmer@Gov.state.ak.us

FOR IMMEDIATE RELEASE: January 13, 1997

97/002

**And the winner is...Leah Jarvis of Glennallen Elementary  
Copper River School District sixth grader writes winning essay  
Governor to introduce a bill naming the new ferry the MV Kennicott**

Leah Jarvis' essay was selected over nine others in the final round of judging to name Alaska's new state ferry. She was among more than 200 middle grade school students statewide to enter the contest and among the ten top essays reviewed in the final round of judging. The eleven year old is a sixth grader from Glennallen Elementary in Copper Center.

The judges--Lieutenant Governor Fran Ulmer, Senator Drue Pearce, Co-chair of the Senate Finance Committee and House Speaker Gail Phillips--announced the winner today in a joint press conference held in the Speaker's Chambers. Jarvis' essay convinced Ulmer, Pearce and Phillips that the new ferry should be named the MV Kennicott in honor of the Kennicott Glacier which is located inside the Wrangell-St. Elias National Park.

"Kennicott is a great ferry name because it is a well known name and it isn't an obscure glacier that tourists can't see and have never heard of," wrote Jarvis. "It drains into the Gulf of Alaska, it is adjacent to a mine that is a big part of Alaska history, it is beautiful, and it was named for a famous explorer." The explorer, Robert Kennicott, was the leader of the scientific corps of the Western Union Telegraph Expedition to Alaska from 1865 to 1867, according to the essay.

Speaker Phillips says she likes the name chosen by the sixth grader. "The name Kennicott stirs the romance and imagination of the hay days of one of the largest mining ventures in Alaska history," Phillips said. "It is a fitting name for our newest state ferry--it ties together our resource development and the transportation of not only our resources but our people."

"It was exciting to see the level of creativity expressed by all the students who submitted essays for the Name the Ferry Contest," said Senator Pearce. "While we had a rough time choosing a favorite, we felt the Kennicott name carries with it a rich and colorful history that is truly Alaskan. This name deserves to be on the bow of the state's newest ship."

-MORE-

Entry Form  
Alaska Marine Highway System  
Name the Vessel Contest

Attach this form to the front of your essay.

Student Name Leah Jarvis  
Parent or Guardian Name Jonathan Jarvis  
Mailing Address P.O. Box 136  
Copper Center, AK 99573  
Home Phone (907) 822-3274 Parent/Guardian Daytime Phone (907) 822-5234  
Name of School Glennallen Elementary  
Grade Level 6<sup>th</sup> grade Student's age as of 11-22-96 11 years old

**Presentation.** The essay should be:

- Up to 750 words in length
- Typed and double spaced on plain white paper
- Your name and grade level on each page of the essay

**Judging the Essays.** Completed essays should be submitted to your school teacher. Each school will review its students' essays. One essay will be chosen from each school to send to the school district. The school district will select one essay from all the public, private, charter, and home schools in its district. The Department of Education will then review the essays submitted by the districts. Ten essays will be selected from this group and sent on for final judging by the Speaker of the House, the President of the Senate, and the Lieutenant Governor.

**Timeline.**

- November 22 Essays due to the schools
- December 2 Essays submitted to the school district
- December 10 Essays submitted to Department of Education
- January 3 Essays submitted for final judging
- January 13 Winner announced at opening of 1997 Alaska State Legislative Session

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
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Rev. 6/98

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Department of Education  
State of Alaska

State of Alaska

# Office of the Lieutenant Governor

**FRAN ULMER**  
Lieutenant Governor  
Post Office Box 110015  
Juneau, Alaska 99811-0015  
**NEWS RELEASE**



**CONTACT:**  
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907-465-3520  
FAX: 907-465-5400

Fran\_Ulmer@Gov.state.ak.us

FOR IMMEDIATE RELEASE: January 13, 1997

97/002

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Copper River School District sixth grader writes winning essay  
Governor to introduce a bill naming the new ferry the MV Kennicott**

Leah Jarvis' essay was selected over nine others in the final round of judging to name Alaska's new state ferry. She was among more than 200 middle grade school students statewide to enter the contest and among the ten top essays reviewed in the final round of judging. The eleven year old is a sixth grader from Glennallen Elementary in Copper Center.

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"Kennicott is a great ferry name because it is a well known name and it isn't an obscure glacier that tourists can't see and have never heard of," wrote Jarvis. "It drains into the Gulf of Alaska, it is adjacent to a mine that is a big part of Alaska history, it is beautiful, and it was named for a famous explorer." The explorer, Robert Kennicott, was the leader of the scientific corps of the Western Union Telegraph Expedition to Alaska from 1865 to 1867, according to the essay.

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-MORE-

Page 2  
Contest winner  
January 13, 1997

All essays went through preliminary judging, according to Ulmer. "Each school sent its best essay to their school district," she said, "then the school districts submitted the winners from their round of judging to the Department of Education where they were judged by Dr. Roger Pearson, head of UAF's Geography Department; Judy Bittner, Director of the state Office of History and Archaeology; Tom Stewart, a retired judge from Juneau; and Judith Entwife, former Language Arts Specialist for the Department. They picked the ten best and forwarded them to us for the final round."

Glennallen Elementary should be proud that Leah's essay made it through the rigorous judging, Ulmer said, but she also praised all students who entered the contest. "There were some amazing essays and some very convincing reasons why the ferry should carry the students' chosen glacier name," she said.

Since all state ferries must be named by statute, Ulmer says the Governor will introduce a bill on Tuesday designating the new state ferry the MV Kennicott. Leah Jarvis will be flown to Juneau to be honored when the Governor signs the bill. She and her parents will also receive a voucher for a six-day ferry trip, including stateroom and meals. The nine other essay contestants in the final round will receive free three-day trips.

Entry Form  
Alaska Marine Highway System  
Name the Vessel Contest

Attach this form to the front of your essay.

Student Name Leah Jarvis  
Parent or Guardian Name Jonathan Jarvis  
Mailing Address P.O. Box 136  
Copper Center, AK 99573  
Home Phone (907) 822-3774 Parent/Guardian Drytime Phone (907) 822-5234  
Name of School Glennallen Elementary  
Grade Level 6<sup>th</sup> grade Student's age as of 11-22-96 11 years old

Presentation. The essay should be:

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- Typed and double spaced on plain white paper
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Leah Jarvis  
6th grade

## Famous Explorer, Robert Kennicott, to Appear on State Ferry

I think the new Alaska ferry should be named after the Kennicott Glacier. The Kennicott Glacier is a spectacular glacier located on the southern side of the Wrangell Mountains inside Wrangell-St. Elias National Park, the largest national Park in the United States.

The Kennicott Glacier is a dazzlingly beautiful glacier that stretches for 27 miles and is 4 miles wide at the widest. The lines of moraine carried by the glacier cause it to look like a ribbon winding through the wilderness. The glacier flows off of 16,390 ft. Mt. Blackburn, which is one of the tallest peaks in North America. The Ahtna name for Mt. Blackburn, K'als'i Tl'aadi means "the one at cold waters." The Kennicott Glacier feeds into the Chitina River, a tributary of the Copper River, which is one of the largest rivers draining into the Gulf of Alaska.

In 1899, the Kennicott Glacier was named after pioneer explorer Robert Kennicott by Oscar Rohn, the first non-Native American to describe the Kennicott area. Kennicott was leader of the scientific corps of the Western Union Telegraph Expedition to Alaska of 1865-1867. The goal of this expedition was to build a telegraph line stretching all the way from California through Canada and Alaska, across the Bering Strait, through Russia and into Europe. Even though the line was never completed, the information Kennicott's team collected helped Congress to decide to buy Alaska from Russia.

Lieut. Henry T. Allen led the first non-native expedition up the Copper River in 1885. While traveling, Lt. Allen met Chief Nicolai, who told him the secret of the copper deposit near the Kennicott Glacier. This led to the development of the mining town of Kennecott<sup>1</sup>, the site of one of the richest copper discoveries in the world. A railroad was built along the Copper River to transport the copper ore from the mines in Kennecott to the coast so it could be shipped out. Cordova was established as a port for the ships

Leah Jarvis  
6th grade

carrying the ore. The Kennecott mine produced an astounding 214,000,000 lb. of copper and 9 million ounces of silver between 1904 and 1938.

The Copper River railway offered an all American route to the Alaskan interior, a route that was free of Canadian taxes. The railway extended for 196 miles, took 4 years to construct, and cost \$23,000,000 to build. In 1938, the mine shut down and the railway was closed due to lack of copper ore.

Today tourists can drive to Kennecott to see the old mining town and the Kennicott Glacier. I've been there and it is really neat to see the old mining town and the mine itself. You can walk among the crumbling buildings, and if you close your eyes and listen very hard you can almost see and hear the workers shouting to each other and the rumbling of the huge machines. Suddenly you open your eyes and come back to reality. But one thing has hardly changed from the time when the mine was working. The huge Kennicott Glacier still stretches in front of the whole place.

Kennicott is a great ferry name because it is a well known name and it isn't an obscure glacier that tourists can't see and have never heard of. It drains into the Gulf of Alaska, it is adjacent to a mine that is a big part of Alaska history, it is beautiful, and it was named for a famous Alaska explorer. Because Robert Kennicott is an important part of Alaska's history, I think naming the ferry for him would honor this famous explorer greatly.

---

One thing that I should clarify is that the correct spelling of the Kennicott Glacier is with an "i" instead of an "e". When the owners of the Kennecott mine got to Alaska, they misspelled Robert Kennicott's name and it became the common spelling of the name of the town and the mine.

State of Alaska  
**Office of the Lieutenant Governor**

**FRAN ULMER**  
Lieutenant Governor  
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Juneau, Alaska 99811-0015  
**NEWS RELEASE**



**CONTACT:**  
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Fran\_Ulmer@Gov.state.ak.us

FOR IMMEDIATE RELEASE: December 20, 1996

96/034

Name the Ferry Contest in it's final judging round  
Top ten finalists forwarded to Lieutenant Governor

The Department of Education (DOE) has picked the ten best essays from the finalists of 22 school districts. Over 200 essays were submitted by students sixth through eighth grades hoping to name the new Alaska state ferry, according to DOE staff member, Marjorie Menzie.

Lieutenant Governor Fran Ulmer received the essays from the Department this afternoon. "By statute, the ferry must be named after an Alaskan glacier," Ulmer explained. "The essay contest was launched in November in an effort to involve Alaska's middle grade students." The contest was coordinated through the Lieutenant Governor's Office, the Department of Education and the Department of Transportation and Public Facilities. The top ten winners are to receive a three day ferry pass for themselves and their parents. In alphabetical order, they are:

Chystina Atkins, 6th grader from Fairbanks School District  
suggested ferry name: MV Kahiltna

Brendan Clancy, 6th grader from Delta Greely School District  
suggested ferry name: MV Trident

Everett Craik, 8th grader from S.E. Island School District  
suggested ferry name: MV La Perouse

Leah Jarvis, 6th grader from Copper River School District  
suggested ferry name: MV Kennicott

Jeremy Lehman, 6th grader from Anchorage School District  
suggested ferry name: MV Portage

Tony Mackie, 7th grader from Craig School District  
suggested ferry name: MV Seward

Rachel Naegeie, 8th grader from Wasilla Christian School  
suggested ferry name: MV Okpilak

Devin Person, 6th grader from Iditarod School District  
suggested ferry name: MV Kahiltna

Mackenzie Slater, 6th grader from Juneau Home School Correspondence  
suggested ferry name: MV Muir

Jodie E. Totten, 6th grader from Sitka School District  
suggested ferry name: MV Muir

The Department of Education called on a team of experts to do the blind judging. They were: Judy Bittner, Office of History and Archeology; Judith Entwife, Former Language Arts Specialist at DOE; Dr. Roger Pearson, Head of the Geography Department at the University of Alaska Fairbanks; and Judge Tom Stewart. They reviewed each essay and ranked them according to originality, accuracy and completeness, composition and writing skills, grammar and spelling, ideas and content, organization, sentence fluency, word choice and conventions.

Ulmer has scheduled the final judging round to be held on January 9. The three judges include Ulmer, Representative Gail Phillips and Senator Drue Pearce. "We hope to name the winning entry on the first day of session," she said. "The winner will be brought to the Capitol for official recognition" Ulmer said, "as well as receive a six day ferry ride which will include a stateroom and meals for the winner and his/her parents."

The Department of Transportation expects the new ferry will be launched in the spring of 1997. The essay will be permanently displayed on the marine vessel, as well as the winning name.

## A Rundown on the Contest:

The laws of Alaska require a state ferry be named after an Alaska glacier. This essay contest will allow an student in the 6th, 7th, or 8th grade to choose that name. Students will write an essay of up to 750 words explaining why they picked a particular glacier name.

Judges at each school will pick the best essay from that school and forward it on to the school district. The school district will then choose one essay and forward it on to the Department of Education. The Department of Education will choose the ten best essays and forward them to Lt. Governor Fran Ulmer, Senate President Drue Pearce, and Speaker of the House Gail Phillips for final judging. The essays will be judged on content, originality, composition and writing skills, grammar, and spelling.

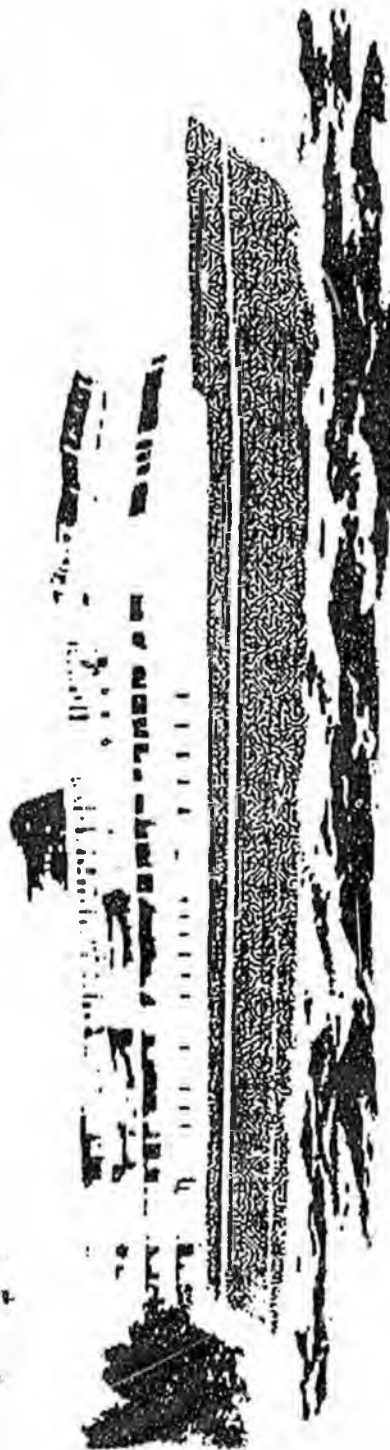
All participants will receive a letter and certificate of appreciation. District winners will receive a photo of the vessel. The top ten winners will win a three-day ferry pass for themselves and their parents. The winning essay will be permanently mounted on the new vessel, and the winner and his/her parents will receive a six-day cruise, including stateroom and meals, on any Marine Highway vessel.

**Essay due date:  
November 22, 1996**

This is a project developed and coordinated by the Office of the Lieutenant Governor, the Alaska Marine Highway System, the Department of Transportation and Public Facilities, and the Alaska Department of Education. If you have questions, call Susan Favro at Meeting Results in Juneau: 907/586-6341.

Fran Ulmer  
Lieutenant Governor  
P.O. Box 110015  
Juneau, AK 99811-0015

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# MIN?

## The Alaska Marine Highway System's new ferry needs a name

Write an essay to name a ferry and win:

- A 6-day cruise on one of the ferries, including a stateroom and meals (for both you and your parents)
- Your essay permanently displayed on the new ferry!



Dept. of Transportation & Public Facilities  
P.O. Box 25535  
Juneau, AK 99802-5535

<http://www.dot.state.ak.us/external/amhs/home.html>

## Did you know:

- An Alaska Marine Highway ferry has to be named after an Alaska glacier (it's the law!)
- Ten glacier names have been used (keep reading to find out which ones have been used)
- There are 599 more glacier names to choose from!

## Here's How You Do It:

Get a list of Alaska glacier names (your school should have the list or use the Internet)

From the list of glaciers, Pick out a name for the new ferry (it's a 380 foot ocean cruiser!).

Write an essay of up to 750 words explaining why you selected the name. Be creative. Have fun with the essay.

Turn in your essay to your school. That's all there is to it!

## Searching for a Glacier Name?

Yes, it's true, there really are 609 named glaciers in Alaska. To see a list of these glaciers, you can contact your school librarian or public librarian, or use the Internet (go to [www-nmd.usgs.gov/www/gnis/gnisform.html](http://www-nmd.usgs.gov/www/gnis/gnisform.html)). There are ten glacier names that have already been used. The following glacier names cannot be used again:

Aurora  
Chilkat  
Le Conte  
Matanuska  
Tustumena

Bartlett  
Columbia  
Malaspina  
Taku  
Wickersham

## What makes for a winning essay—

**Creativity.** Use your imagination when picking out a name for the new ferry (but remember it has to be the name of an Alaska glacier). Find that unique, original reason for using that name and write it down!

**Accuracy.** Find out about the glacier you've selected. What is the geographic, geologic, or historical significance of your selection?

**Writing Skills.** Your writing should be well organized. Develop your reasons for selecting the glacier name you chose.

**Spelling and Grammar.** Be watchful for spelling errors, typographical errors, and grammar usage. If you're using a computer, don't depend on the spell checker only. Proof your own work with your own eyes!

**Presentation.** The essay should be up to 750 words in length. It should be typed and double spaced on plain white paper. Make sure your name and grade level are on each page of your essay. Also, your school has an entry form that will be attached to your essay. Be sure to fill out all information requested on the entry form.

**Judging the Essays.** Completed essays should be submitted to your school teacher. Each school will review its students' essays. One essay will be chosen from each school to send to the school district. The school district will select one essay from all the public, private, charter, and home schools in its district. The Department of Education will then review the essays submitted by the districts. Ten essays will be selected from this group and sent on for final judging by the Speaker of the House, the President of the Senate, and the Lieutenant Governor.

**Timeline.** Essays are due on November 22. The essays go to the district on December 2 and to the Dept. of Education on December 10. The final judging will be done in time to announce the winner at the opening session of the 1997 legislature.

- Prizes for everyone who enters:
- Everyone gets a special appreciation certificate
  - District winners get a photo of the new ferry
  - Top ten selected essays get a 3-day ferry pass for themselves and their parents
  - The winning essay writer gets a 6-day cruise on a ferry (with a stateroom and meals) plus their essay is permanently displayed in the new ferry.

## The New Alaska Marine Highway Ocean Class Ferry

Length overall .....	380 feet
Maximum beam .....	85 feet
Draft, maximum .....	17.5 feet
Displacement .....	6,000 tons
Vehicle capacity .....	Southeast AK 120 cars/vans Gulf of Alaska 39 cars/20 vans
Passenger capacity .....	Southeast AK 750 Gulf of Alaska 500
Maximum design speed .....	19 knots
Service speed .....	16.75 knots
Lifeboats .....	four 150-person
Life rafts .....	50-person capacity each
Rescue boats .....	Two
Helicopter landing platform .....	55 sq.ft.

State of Alaska

# Office of the Lieutenant Governor

**FRAN ULMER**  
Lieutenant Governor  
Post Office Box 110015  
Juneau, Alaska 99811-0015  
**NEWS RELEASE**



**CONTACT:**  
Glenda Carino  
907-465-3520  
FAX: 907-465-5400

Fran\_Ulmer@Gov.state.ak.us

FOR IMMEDIATE RELEASE: October 16, 1996

96/032

## Lieutenant Governor announces contest to name the new Alaska Marine Highway Ferry

Alaskan students in grades six through eight will have the opportunity to participate in naming the new Alaska Marine Highway ferry which will be launched in July of 1997, according to Lieutenant Governor Fran Ulmer. "By statute, the ferry is named after an Alaskan glacier," Ulmer said. "We thought it would be educational and fun to let students choose the name through an essay contest." The contest is being coordinated through the Department of Education, the Department of Transportation and Public Facilities (DOTPF), and through the Lieutenant Governor's office with cooperation from the Speaker of the House and the Senate President.

Each student who enters the contest will write an essay no more than 750 words telling why they chose a particular glacier name and submit it to their school. Judges at each school will choose the best essay and submit it to the school district where one essay will be chosen and submitted to the Department of Education. Private, charter and home school students can also participate by submitting their essays to their closest public school district. Ten essays will be chosen by judges at the Department of Education and submitted for final judging by the Speaker of the House, the President of the Senate and the Lieutenant Governor. Essays will be judged on content, originality, geography standards, composition and writing skills, grammar and spelling.

All participants will receive a letter and certificate of appreciation. District winners will receive a photo of the vessel. The top ten winners will win a three day ferry pass for themselves and their parents. The winning essay will be permanently mounted on the new vessel and the winner and his/her parents will receive a six day ride, including a stateroom and meals, on any Marine Highway vessel. Entry forms will be mailed to all participating school districts by the end of October and students will have until November 22 to complete their essays. For more information or to request an entry form, call Glenda Carino at (907) 465-3521.

-30-

*Broadcast Advisory: Video actualities with Lieutenant Governor Fran Ulmer and DOTPF Commissioner Joe Perkins will be available on the Governor's window at 3:30 p.m. today.*

State of Alaska

# Office of the Lieutenant Governor

**FRAN ULMER**  
Lieutenant Governor  
Post Office Box 110015  
Juneau, Alaska 99811-0015  
**NEWS RELEASE**



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FAX: 907-465-5400

[Fran\\_Ulmer@Gov.state.ak.us](mailto:Fran_Ulmer@Gov.state.ak.us)

**FOR IMMEDIATE RELEASE: November 15, 1996**

## STUDENTS WRITE ESSAYS TO NAME NEW STATE FERRY

Construction of the Alaska Marine Highway System's new 380' ferry is proceeding on schedule at a ship yard in Moss Point, Mississippi. The ship is approximately 10 percent completed and has a July 1997 projected launch date. When the outfitting, test, and trials are completed, the vessel will be delivered to Alaska in May 1998.

The new ferry will be capable of taking over any of the current system routes in addition to cross-gulf service. New features on this vessel include outfitting to operate as a spill response command center, state of the art communications, a helicopter pad, and ADA accessibility. Amenities also include a theater, restaurant, coffee shop, and telephone kiosks with modem hook-ups.

While construction proceeds in Mississippi, 6th, 7th, and 8th graders across Alaska have been invited to write essays to suggest a name for the new ferry. By statute, all Alaska Marine Highway ferries must be named after an Alaska glacier. The Office of the Lieutenant Governor, Department of Education, and Marine Highway System are overseeing the essay contest to match up the glacier name with the new ship. Student essays are due to their schools on November 22. Each school will select one essay to forward to its school district. The school districts will each select one essay to forward to the Department of Education. DOE will then select ten finalists. The winning essay will be selected by Lieutenant Governor Fran Ulmer, House Speaker Gail Phillips, and Senate President Drue Pearce. The winning name will be announced at the opening session of the 1997 legislature.

The student who proposes the winning name and his/her parents will receive a six-day cruise on a ferry and the essay will be permanently mounted in the new ferry. Students or educators wishing more information about the essay contest can contact Susan Favro in Juneau at 586-6341.

●      Entry Form      ●

**Alaska Marine Highway System:  
Name the Vessel Contest**

Attach this form to the front of your essay.

Student Name \_\_\_\_\_

Parent or Guardian Name \_\_\_\_\_

Mailing Address \_\_\_\_\_  
\_\_\_\_\_

Home Phone \_\_\_\_\_ Parent/Guardian Daytime Phone \_\_\_\_\_

Name of School \_\_\_\_\_

Grade Level \_\_\_\_\_ Student's age as of 11-22-96 \_\_\_\_\_

**Presentation.** The essay should be:

- Up to 750 words in length
- Typed and double spaced on plain white paper
- Your name and grade level on each page of the essay

**Judging the Essays.** Completed essays should be submitted to your school teacher. Each school will review its students' essays. One essay will be chosen from each school to send to the school district. The school district will select one essay from all the public, private, charter, and home schools in its district. The Department of Education will then review the essays submitted by the districts. Ten essays will be selected from this group and sent on for final judging by the Speaker of the House, the President of the Senate, and the Lieutenant Governor.

**Timeline.**

- November 22      Essays due to the schools
- December 2      Essays submitted to the school district
- December 10      Essays submitted to Department of Education
- January 3      Essays submitted for final judging
- January 13      Winner announced at opening of 1997  
Alaska State Legislative Session

# AMHS OCEAN CLASS FERRY



ALASKA  
*Alaska Highway*  
SYSTEM

P.O. Box 25535  
Juneau, AK 99802-5535  
1-800-642-0066

Length overall, LOA	380 ft.	
Max Beam	85 ft.	
Draft - maximum	17.5 ft.	
Displacement	6000 tons	
Vehicle capacity-	Cars only (max.)	120 cars/van
	Maximum 45' vans	39 cars/20 vans
Passenger Capacity-	S.E. Alaska service	750
	Gulf of Alaska service	500
Staterooms	Cabins	127
A-Class cabins (complete en suite)		
Standard cabins	49	196
ADA accessible	3	12
C-Class cabins (lavatory only en suite)		
Standard cabins	32	64
ADA accessible	2	4
Roomettes (no en suite facilities)	24	48
Max. design speed	19 knots	
Service speed (sustainable through Sea State 5)	16.75 knots	
Main engines (2x6,690 BHP each)	13,380 BHP	
Main engine-driven alternators	2x2,400 kW	
Diesel-driven alternators (Caterpillar 3516 series)	2x1,940 kW	

Bow thrusters (Elliott White Gill Model 60T3S Omnidirectional)	
Roll stabilization system	
Elevators	-Passenger elevator
	-Service/stores elevator
	-Dumhwaiter
	-Vehicle elevator
	(80,000 lb lift capacity)

1x1,450 kW  
active fins

1  
1  
1

Lifeboats	
Life rafts	
Escape system to life rafts	

1  
Four 150 person  
50 person capacity ea.  
Dunlop Beaufort  
chute system

2

Rescue boats	
Helicopter landing platform	

55 ft. sq. landing area  
suitable for Bell 212  
& Jayhawk helicopters

Emergency Response Command and Control capability

BUILDER: TRINITY MARINE GROUP, GULFPORT, MS.

Contract Award: November 1995  
Contract Design Complete: July 1996  
Start Steelwork: August 1996