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Gov. Walker halts megaprojects | Juneau Empire

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6-7 minutes

In the face of plunging oil prices, Alaska Gov. Bill Walker has ordered progress stopped on six major Alaska construction projects.

On Friday, Walker issued an administrative order that directs “state agencies to halt to the maximum extent possible discretionary expenditures” for the Ambler Road Project, Juneau Access Project, Susitna-Watana Dam Project, Kodiak Launch Complex, Knik Arm Crossing and Alaska Stand-Alone Pipeline Project.

The estimated cost to complete all six projects is in the billions of dollars, but none except the Kodiak Launch Complex have advanced beyond the study stages, and it was not immediately clear what impact the order will have on the progress of the projects or how much money it will save.

The order came three days after Republican legislative leaders sent Gov. Walker a letter requesting immediate action to address the budget issues the state faces. “The most critical issue before all of us is Alaska’s long-range financial outlook. The immediate

concerns of a \$3 billion deficit and our ability to protect the state's credit rating from damage and deterioration will take center stage when the Legislature convenes in January," reads the letter.

Since June, the market price of a barrel of Alaska North Slope oil has fallen by nearly half — from \$113 per barrel to (on Dec. 22) \$57.38 per barrel. Earlier this month, the state Department of Revenue announced that it expects oil to average \$76 per barrel in fiscal year 2015, which ends June 30. The state budget approved by legislators last session is balanced only if the average is \$117 per barrel. The difference equates to a deficit of \$3.5 billion — money that would be taken from the statutory or constitutional budget reserves.

Tuesday's letter is signed by Senate President-elect Kevin Meyer, Senate Finance Committee Co-Chair and Co-Chair-elect Sens. Pete Kelly and Anna MacKinnon, House Speaker Mike Chenault and House Finance Committee Co-Chair-elects Rep. Mark Neuman and Rep. Steve Thompson. It includes a list of requests and suggestions meant to rein in state spending.

"For the past two years, we have been focused on stabilizing and then reducing the budget," Senator Meyer said in a news release. "With the recent drop in oil prices and the fact that 90 percent of the state's discretionary budget is funded by oil production, the need to cut spending has become even more urgent. That's why we are requesting immediate action from Governor Walker on certain issues and asking for him to expedite his submission of the budgets to the Legislature."

The letter requests Walker consider a number of actions, starting with an immediate hiring freeze “to include all departmental vacancies.”

Limiting agency travel to necessity and emergencies is another suggestion.

Walker spokeswoman Grace Jang said Saturday that Friday’s administrative order was not issued in response to Tuesday’s letter; the governor had been working on it for about a week.

The order directs the agencies behind those six megaprojects to report — by the end of the day Jan. 5 — all “discretionary funding obligations” that, presumably, could be cut. It also orders the managers of those projects to report “potential costs to delay, suspend or terminate each contract or obligation.”

The net effect of the order on the projects will vary. Many already have committed money to environmental studies or design projects, and those contracts must be fulfilled.

Jeremy Woodrow, spokesman for the Alaska Department of Transportation, said money has already been allocated to complete the environmental survey phase of the Juneau Access project. “With Juneau Access, the department will continue to move forward with the environmental process,” he said.

That process is expected to end sometime in 2015 when the state publishes the final environmental impact statement for the Juneau Access Project and submits it to the Federal Highway Administration for approval.

Construction cannot begin on the project without FHWA approval. “You couldn’t do any construction until you completed

the environmental process anyway,” he said. “That’s kind of a commitment we’ve already made.”

As state employees return to their offices after the post-Christmas holiday, Woodrow said he expects talks between the governor’s office and the Department of Transportation and Public Facilities will continue. “We’ll probably know more Monday and in the coming days what else would be affected with the project and what this might mean moving forward,” he said.

The projects

- **Ambler Road:** This road would stretch for more than 200 miles in the Brooks Range to a mineral belt in northwestern Alaska. It is seen as the first stage in a road to Kotzebue.
- **Juneau Access:** This long-awaited project would build a road north out of Juneau to a ferry terminal at the mouth of the Katzehin River to speed travel in and out of Juneau.
- **Susitna-Watana:** This 735-foot-high dam would cost about \$5.2 billion to build north of Talkeetna and would supply about half of the electrical demand for Railbelt communities including Fairbanks, Anchorage and Wasilla.
- **Kodiak Launch Complex:** The state-owned spaceport in Kodiak was damaged by a rocket explosion in August. Alaska Aerospace, the state-owned corporation that operates the spaceport, announced earlier this month that it plans to rebuild its main launch pad to support larger rockets, at a cost of \$6 million to \$9 million.
- **Knik Arm Crossing:** This 1.74-mile bridge would shorten the commute between Anchorage and Mat-Su at a cost of up to \$1.6

billion.

- Alaska Stand-Alone Pipeline Project: This small-diameter pipeline project was envisioned as a backup plan in case the large natural gas pipeline from the North Slope to the Kenai Peninsula failed to materialize.