

**ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE TRANSPORTATION STANDING COMMITTEE
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 16, 2001
1:43 p.m.

SENATE MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Jerry Ward, Vice Chair
Senator Robin Taylor
Senator Gary Wilken
Senator Kim Elton

SENATE MEMBERS ABSENT

None

HOUSE MEMBERS PRESENT

Representative Vic Kohring, Chair
Representative Scott Ogan
Representative Drew Scalzi
Representative Peggy Wilson
Representative Mary Kapsner
Representative Albert Kookesh

HOUSE MEMBERS ABSENT

Representative Beverly Masek

COMMITTEE CALENDAR

OVERVIEW BY THE ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

WITNESS REGISTER

Mr. Kurt Parkan
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Mr. Dennis Poshard
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Mr. Thomas Brigham
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Ms. Nancy Slagle
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ACTION NARRATIVE

TAPE 01-1, SIDE A [Senate Tape]

Number 001

CO-CHAIRMAN JOHN COWDERY called the Joint Senate and House Transportation Committee meeting to order at 1:43 p.m. Present were Senators Wilken, Ward, Elton and Cowdery. Co-Chairman Cowdery asked the representatives from the Department of Transportation and Public Facilities (DOTPF) to address the committee.

MR. KURT PARKAN, Deputy Commissioner of DOTPF, introduced Nancy Slagle, Division of Administrative Services, Tom Brigham, Director of the Division of Statewide Planning, Dennis Poshard, Special Assistant to the Commissioner, Mike Downing, Director of Design and Engineering Services, and Harold Moeser with the Division of Statewide Design and Engineering Services. Mr. Parkan offered to answer questions until the other committee members arrived.

CO-CHAIRMAN COWDERY asked Mr. Parkan to tell the committee about the new bond request.

MR. PARKAN explained that a bill to increase revenue bond authorization for the international airport system has been introduced. The bond would amount to about \$146 million to finance capital improvement projects (CIPs). The international airport

system has an operating agreement with the airlines to use the Anchorage and Fairbanks airports. The operating agreement expired on July 1, 2000, but it is in holdover status while negotiations are ongoing. The agreement was first drafted in 1985, modified in 1990, and rolled forward in 1995. The airlines have asked for a new process for capital improvement projects. Up to this point, DOTPF presented a list of capital projects to the airlines every year. The airlines would vote on the projects and approve or reject them. DOTPF would then go to the Legislature for authorization.

CO-CHAIRMAN COWDERY asked if a majority vote is required to approve the projects on the list.

MR. PARKAN said a two-thirds negative vote is required to veto a project. If an airline decides not to submit a ballot, the vote is considered to be affirmative. Very few projects were vetoed by the airlines in the past. Funding comes from federal funds that include entitlement dollars based on the number of enplanements and the amount of cargo carried each year, discretionary dollars, and international airport revenue funds, which affect the landing fees.

The airlines were looking for more stability in the cost of airport operations. They had been looking at capital project lists every year which determined what their rates would be for the following year. They requested during the current negotiations a five-year CIP plan and that the projects be funded with bonds. DOTPF agreed to the concept and put together a five-year CIP with the international airport revenue portion funded through bonds. DOTPF would sell the bonds and start construction on the projects. The bonds would be paid back over the course of 25 years from the revenues generated by the airlines from landing fees.

Number 570

CO-CHAIRMAN COWDERY asked if the bonds will be paid back from any federal funds.

MR. PARKAN replied,

No. We would continue to get our federal funds - our entitlement money would still come through and we would pay for a portion of our five-year CIP. The five-year CIP that we put together for the airlines to look at and agree to includes federally funded portions and international airport revenue funded portions. It's a one-stop shopping for the project for the next five years and the fund sources are broken out by the different

projects and then peeled off, some for the revenue bonds, which we have authority.

MR. PARKAN said this proposal was made in response to a request made by the airlines for more certainty. It required a lot of work on the part of DOTPF to put together the package of projects that will be needed over the next five years. He thinks this approach will benefit DOTPF as well because DOTPF will not have to put together a project list every year.

SENATOR WARD asked if the revenue bonds will be paid off with the existing revenue stream or with a projected revenue stream.

MR. PARKAN said the bonds will be paid with the revenue stream required to meet all of the needs of the airport so the source of revenue will remain the same.

SENATOR WARD asked if the current revenue stream is adequate to pay for the additional bonding.

MR. PARKAN said the landing fees will be set at the rate necessary to pay for the project. As always, DOTPF looks at the needs for the next year and sets rates to cover operating and capital needs.

SENATOR WARD asked if DOTPF anticipates a landing fee increase.

MR. PARKAN said it does.

SENATOR WILKEN asked if the fee is currently 80 cents per thousand gross take-off weight and will increase to \$1.40 per thousand so that the airlines will have signed on to a big jump when the building is complete.

MR. PARKAN said that is correct but this increase is modest compared to some of the large increases the airlines are experiencing elsewhere.

Number 826

SENATOR ELTON noted he represents a community that does not have an international or state airport. He is interested in the situation in which Wasilla, Soldotna, Kenai and Merrill Field are in, where DOTPF has decided not to provide matching funds for federal dollars. He asked for the background on that policy call, what the implications are for those airports, and whether or not DOTPF expects the communities to turn those airports over to the State.

MR. PARKAN said that first, the State would have to be willing to

take those airports over from the communities. The only airport that could revert to the State is Ketchikan. The State owns that airport but has an agreement with Ketchikan to operate it. Up until now, if the FAA approved for those community-owned airports, the State would pay 50 percent of the match requirement and the community would pay 50 percent. DOTPF decided that those communities that are large enough should pay their own way to eliminate State support for those capital projects because DOTPF was in search of general funds when it was going through the budget crunch during the last couple of years. DOTPF needed the general funds to meet its operational and capital requirements. DOTPF felt the communities should be able to provide their own match and there is no requirement that the State provide a portion of that match. He said that whether that match contribution will have any effect on a community's decision about whether or not to own and operate an airport, he did not know.

SENATOR ELTON asked who made the decision and what process was used.

MR. PARKAN said the department made the decision. He did not know to what extent the commissioner communicated with the Governor about the matter. The communities were notified in advance to give them an opportunity to plan ahead.

Number 1050

SENATOR ELTON asked how much money will be saved over the next five years.

MR. PARKAN said he could provide that information at a later date.

SENATOR WILKEN asked when Mr. Parkan expects the final Statewide Transportation Improvement Plan (STIP) to be available.

MR. PARKAN answered that Tom Brigham is working on it right now.

MR. BRIGHAM stated it will be completed by the end of the month, if not sooner.

SENATOR WILKEN noted that discussions took place last year about putting the STIP process in regulation. He asked if that process is continuing. He thought that issue should come before the committee for a full discussion.

MR. PARKAN replied DOTPF intends to put the STIP process into regulation and is doing some preliminary work on it. That is one of the Commissioner's high priorities so he suspects something will

be out for review within a few months.

SENATOR WILKEN noted that force accounting became a hot issue in Fairbanks because the State pulled projects off of the table, making contractors very unhappy. He has asked DOTPF that he be updated on the best interest findings. He plans to "bird dog" this issue and, although he understands the need for force accounting, he does not want it to get out of hand. He asked if DOTPF is working on the Grant Anticipation Revenue Vehicle (GARVEE) bond and whether DOTPF anticipates using part of the tobacco revenue stream to support any DOTPF projects.

MR. PARKAN said DOTPF does not anticipate using any tobacco revenue. DOTPF submitted a proposal for the GARVEE bond last year and is working on a package to submit this year.

SENATOR WILKEN asked if DOTPF received the letter of authorization that allowed the State to earn interest on its federal highway money so that it could pay the match from the earnings.

MR. PARKAN responded that DOTPF was told by the Federal Highway Administration that it could do that.

SENATOR WILKEN asked if DOTPF received that information in written form, since that was the issue last year.

MR. PARKAN said he was not sure, but the people who approve the applications said it was a mechanism that would work. The official response will come after DOTPF files its application. DOTPF was trying to "frontload" and get as much get information in advance and was told that it would be okay.

SENATOR WILKEN asked when the GARVEE proposal will be ready.

MR. PARKAN said it is close to completion. The Fairbanks North Star Borough passed a resolution last Thursday in support of the GARVEEs and it will work with the City of North Pole and the City of Fairbanks over the next two weeks to put together a package. DOTPF's package will reflect the communities' interests.

CO-CHAIR COWDERY asked for a copy of the letter from the Federal Highway Administration regarding the interest earnings, for budget purposes.

MR. PARKAN said he will talk to the FHA officials and see what he can get.

CO-CHAIR COWDERY informed Co-Chair Kohring and Representative

Wilson, who had just arrived, that the committee had been asking questions of the DOTPF group.

Number 1405

CO-CHAIR KOHRING stated that he was looking forward to working with the Senate Transportation Committee. He apologized for House members' tardiness and explained that the House Transportation Committee heard HJR 6, sponsored by Representative Wilson. He introduced Representatives Wilson, Kapsner, Ogan, Scalzi and Kookesh.

MR. PARKAN indicated that he would provide a general overview of DOTPF and he asked committee members to interrupt to ask questions at any point. He noted that the group would return on Thursday to answer more questions and that the Commissioner would be giving an overview to the committee on January 30.

MR. PARKAN distributed organizational charts to the committee and made the following comments. DOTPF is one of the largest departments in the State. DOTPF has about 3400 employees: 900 with the Marine Highway System; 930 with construction or design; 173 with the State Equipment Fleet; 676 with maintenance and operations; 225 with administration; 80 in planning; 69 in measurement standards; and 437 in the international airport system. Three regional offices (Central, Northern and Southeast) are responsible for the construction management of the STIP. They are also responsible for maintenance and operations within their regions, as well as administrative functions and planning. The Statewide Planning Division oversees the STIP process. He offered to cover that process in more detail on Thursday. The Statewide Planning Division also includes the Highway Safety Office, which was a function of the Department of Public Safety until last year. The Highway Safety Office distributes federal funds and grants for programs such as seat belt use and drunk driving prevention.

The Division of Administrative Services is in charge of just about everything that has to do with money. Nancy Slagle, the Director, is also responsible for the statewide equipment fleet. The Statewide Aviation division is responsible for the planning function of the 261 rural airports throughout the state. The Division of Measurement Standards checks scales at all sorts of establishments, such as grocery stores and gas stations, and at weigh stations for commercial vehicles.

CO-CHAIRMAN KOHRING asked how much money Alaska will forfeit if it does not comply with the new federal mandate regarding the lower alcohol blood level for DWI offenses.

MR. PARKAN replied that he would get those numbers for the committee.

CO-CHAIRMAN KOHRING asked if the Administration has introduced legislation to address that issue.

MR. DENNIS POSHARD, Special Assistant, DOTPF, informed committee members that legislation is being prepared and should be introduced shortly. Regarding the money forfeited, the amount starts at two percent in 2004 and increases by two percent each year for four years so that in 2007 the amount will be eight percent. He estimated the amount to be \$3 million in 2004 and \$12 million in 2007.

Number 1833

SENATOR WARD said that President Clinton announced in a press release that the program would save about 500 lives per year. He asked Mr. Poshard to find out where that number came from.

MR. POSHARD pointed out that DOTPF has several studies that compare data from states that have passed similar legislation, although he did not have specific information on President Clinton's number.

SENATOR ELTON believed that a lot of the data used by Congress when the bill was debated came from the National Highway Transportation Safety Agency.

Number 1850

SENATOR TAYLOR stated that Senator Stevens appropriated \$1.5 million to the State of Alaska three or four years ago for the preliminary engineering and environmental impact statements on the Bradfield Toll Road. He asked how much money DOTPF has spent and the status of that project.

MR. TOM BRIGHAM, Statewide Planning, DOTPF, said DOTPF has spent nothing on that project. He explained that for each of those earmarked projects, of which that was one, DOTPF typically looks for a sponsor. DOTPF is not in a position to sponsor that project and no one else has stepped forward, therefore nothing has been done.

SENATOR TAYLOR asked Mr. Brigham what he meant by "sponsor."

MR. BRIGHAM said that usually the local government acts as a sponsor. Those types of projects are usually put into legislation

in response to a request to Congress by a community or by an agency. In each case, DOTPF works with the community or the agency that sponsored the project to get the local match and get it off of the ground.

SENATOR TAYLOR pointed out that \$1.5 million was appropriated for that specific purpose and that no local match was required.

MR. BRIGHAM said, to his understanding, the project required a 20 percent match.

SENATOR TAYLOR stated the Legislature passed the Whittier Tunnel - Bradfield Toll Road bill about 14 years ago, which he co-sponsored. DOTPF has built the Whittier Tunnel. He asked if DOTPF needs anymore sponsorship than that legislation, which carried \$29 million in bonding authority. He repeated that Senator Stevens' appropriation was made three years ago. He asked for a straight answer on what DOTPF plans to do with that project.

Number 2082

MR. BRIGHAM said DOTPF and the U.S. Forest Service did separate studies on that road and each determined it would cost more than \$300 million. Consequently, DOTPF has no plans to proceed with that project at this time.

SENATOR TAYLOR asked who set that policy.

MR. BRIGHAM said DOTPF.

SENATOR TAYLOR asked if DOTPF needs guidance on that project or whether it sets policy.

MR. BRIGHAM replied that the Legislature and Executive Branch work to set policy. For DOTPF, it is simply a matter of how much money is available and which projects are most important.

SENATOR TAYLOR asked Mr. Brigham if he is aware of the cost-benefit analysis that was required by the original legislation that was done by AIDEA, using DOTPF's numbers. He noted that, according to the analysis, the project would benefit the people of Alaska by two to one.

MR. PARKAN offered to bring that analysis to the committee on Thursday.

SENATOR TAYLOR asked him to do that and said that he wants a definitive answer from DOTPF. He added that the people of British

Columbia are going to throw out the New Democratic Party government, probably in April of this year. When that happens, the government on the other side of the border will be willing to work with the State. In addition, President Bush believes in roads, therefore DOTPF's attitude might have to shift a bit.

MR. PARKAN responded that the comment about the British Columbia government is a good one as it had reservations about that road.

CO-CHAIRMAN COWDERY asked Mr. Parkan to review the Marine Highway System.

MR. PARKAN explained that the Marine Highway System covers about 2700 route miles throughout the state, from the Southeast Panhandle to Dutch Harbor and the Aleutians. The Marine Highway System has nine vessels and 35 ports of call. The success of the Marine Highway System depends on DOTPF's ability to implement the Southeast Alaska Transportation Plan. DOTPF is in the process of doing that right now. He noted that he would ask Captain Capacci to address the committee on Thursday.

CO-CHAIRMAN COWDERY asked for an update on the State's claim against the contractor who built the Kennicott.

MR. PARKAN said that case has not been settled.

CO-CHAIRMAN COWDERY asked what amount the State is suing for.

MR. PARKAN thought the claim was for about \$45 million but he was not sure. He offered to bring the information on Thursday.

CO-CHAIRMAN COWDERY suggested that Mr. Parkan provide the requested information in writing to save time during the presentation.

Number 2276

REPRESENTATIVE OGAN asked for a breakdown on the GARVEE bond projects by region.

MR. PARKAN indicated that DOTPF does not have a final list of GARVEE projects yet. He said the Mat-Su Borough did submit a list of projects, which will be the basis for the submittal for the Mat-Su area. Regarding regional representation, DOTPF is trying to make sure there is a fair distribution. DOTPF hopes to have a list prepared soon to share with legislators.

MR. PARKAN provided the committee with the following facts about DOTPF and the transportation system in Alaska.

- DOTPF maintains approximately 30 percent of the roads in the state. On a national average, states maintain approximately 20 percent of the roads.
- 30 percent of Alaskans live in areas not connected to the road system.
- Almost 80 percent of Alaska's roads are gravel. DOTPF has been aggressively using federal funds to convert gravel roads to hard surface roads for the past few years.
- Alaska is twice as large as Texas but its population and road mileage compare more closely to Vermont.
- Alaska has 23 miles of road per 1,000 people; the U.S. average is 15 miles of road per 1,000 people.
- Alaska has 42 square miles of land for one mile of highway; the U.S. average is one square mile of land per mile of highway.
- Alaska and Rhode Island are the only two states without a state-funded transportation construction program.
- Alaska has 13 percent of the total national commuter airline departures. Alaska has 65 times as many commuter departures per capita as the U.S. average.
- The Anchorage International Airport is the number one airport for cargo landed weight, meaning Anchorage has more wide body aircraft coming in as a result of its unique location. Anchorage and Fairbanks are at the crossroads between Asia, Europe, the United States and Latin America. Planes often stop in Anchorage to refuel and transfer cargo. That has been a major economic engine for the State. One in 10 jobs in the Anchorage area are related to the international airport.

CO-CHAIRMAN COWDERY asked Mr. Parkan to explain the connection between the Anchorage and Fairbanks airports.

MR. PARKAN stated the Anchorage and Fairbanks airports are the two international airports operated by the State as part of the Alaska International Airport System. They are funded through an enterprise fund whereby it is funded by the users: the airlines, concessionaires and parking users. No general funds are used. The 261 rural airports are funded solely with general funds. Construction projects for those airports are funded with federal funds from the FAA's Airport Improvement Program. Alaska has a very good relationship with the regional office and has been able to capture extra discretionary dollars but Alaska continues to have a huge need for airport improvements.

SENATOR WARD asked for a list of the 261 rural airports and the

services that are available at those airports.

MR. PARKAN said he could provide information about the runway lengths, landing facilities, lights and navigational aids available at those airports.

MR. BRIGHAM showed committee members a map of the substandard airports, the airports that are scheduled for improvements, and those that are up-to-date. The Yukon Kuskokwim Delta has a concentration of substandard airports.

MR. PARKAN pointed out that federal funds have recently increased as a result of Air 21, which was an authorization bill for airports, therefore improvements should occur at a little more accelerated rate. Through Operation Renewed Hope, which was related to the fishery disaster last year, DOTPF was able to use some funds for airport maintenance work. Mr. Parkan offered to answer further questions.

CO-CHAIRMAN COWDERY noted that he would like to see an organizational plan for the property and facility management section within DOTPF and the budget for that section.

SENATOR ELTON asked that he would like an analysis of the vacancies within DOTPF and how those vacancies impact work on the substandard airports. In addition, he would like a status report on the building renewal deferred maintenance experiment that DOTPF has done.

SENATOR TAYLOR said that he read that the FAA has new standards for various airports across the state, some being safety standards. He asked DOTPF to respond to the problems those standards may cause regarding the classification of rural airports.

MR. PARKAN noted that several initiatives by the FAA will have an impact on airports. He offered to get the information for Senator Taylor.

SENATOR TAYLOR commented that his concern is that those impacts be identified so that the necessary modifications can be prioritized.

MR. PARKAN responded that a lot of the FAA issues are more operational in nature and will affect the airlines so DOTPF will not have direct influence in those matters.

SENATOR TAYLOR indicated that he was referring to the requirement for extra safety features at airports when aircraft of a certain size land. The airlines do not want to pay for extra staff at

airports for that purpose. There was an additional conflict about certification from training programs.

MR. PARKAN explained that the FAA has requirements for certificated airports so that a certain level of security and fire/rescue operations must be maintained. In Alaska, 25 airports are certificated. Larger aircraft cannot fly in to airports without that capability.

SENATOR TAYLOR asked Mr. Parkan to get back to him on that issue. He said the Klawock airport is of concern to him.

There being no further questions, CO-CHAIRMAN COWDERY adjourned the meeting at 3:46 p.m.