

HOUSE FINANCE COMMITTEE
February 05, 2003
1:29 P.M.

TAPE HFC 03 - 12, Side A
TAPE HFC 03 - 12, Side B
TAPE HFC 03 - 13, Side A

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 1:29 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Carl Moses
Representative Gary Stevens
Representative Bill Stoltze
Representative Jim Whitaker

MEMBERS ABSENT

Representative Eric Croft
Representative Reggie Joule

ALSO PRESENT

Diane Barrans, Executive Director, Postsecondary Education Commission, Department of Education; Sheila King, Finance Officer, Alaska Postsecondary Education, Department of Education; Kevin Duffy, Acting Commissioner, Department of Fish and Game; Kevin Brooks, Director, Division of Administrative Services, Department of Fish and Game; Gordy Williams, Legislative Liaison, Department of Fish and Game; Michael Barton, Acting Commissioner, Department of Transportation & Public Facilities; Michael Downing, Acting Deputy Commissioner, Department of Transportation & Public Facilities; Dennis Poshard, Legislative Liaison, Department of Transportation and Public Facilities; Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Frank Richards, Statewide Maintenance & Operations, Department of Transportation & Public Facilities; Captain George Capacci, General Manager, Marine Highway System, Department of Transportation & Public Facilities.

PRESENT VIA TELECONFERENCE

Suzanne Tryck, Director, Alaska Regional Affairs, University of Washington School of Medicine, WAMI Program.

GENERAL SUBJECT(S):

**AGENCY OVERVIEWS:
ALASKA POSTSECONDARY EDUCATION COMMISSION
DEPARTMENT FISH & GAME
DEPARTMENT TRANSPORTATION & PUBLIC FACILITIES**

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 23rd Legislative Session, contact 465-2156. After the 23rd Legislative Session they will be available through the Legislative Library at 465-3808.

LOG	SPEAKER	DISCUSSION
	TAPE HFC 03 - 12 SIDE A	
000	Co-Chair Harris	Convened the House Finance Committee meeting at 1:40 P.M. A roll call was taken.
		ALASKA COMMISSION ON POSTSECONDARY EDUCATION
133	DIANE BARRANS, EXECUTIVE DIRECTOR, POSTSECONDARY EDUCATION COMMISSION, DEPARTMENT OF EDUCATION	Provided the Committee with a handout. (Copy on File). She explained that the mission of the Commission and the Alaska Student Loan Corporation, its financial partner, was to serve Alaska by supporting the development of economically viable, lifelong learners and citizens by providing educational financial assistance to postsecondary students and authorizing the operations of postsecondary institutions in Alaska.
318	Ms. Barrans	Listed the ways in which those concerns are addressed: <ul style="list-style-type: none"> • providing education financial aid • developing and delivering financial aid planning tools to students and supporters • developing and implementing strategies to increase access and participation rates of Alaskans in postsecondary education • supporting and promoting Alaska postsecondary education institutions • providing for quality standards for the education and training • responding to emerging needs for

		administering education financial assistance and access programs and services.
406	Ms. Barrans	<p>Added that the Commission offers education access assistance by:</p> <ul style="list-style-type: none"> • originating and servicing AlaskAdvantage loans, including federal Title IV loans, Alaska Supplemental Education loans, Teacher Education loans, and Family Education loans • originating and servicing Memorial Education loans • disbursing state and federal grants to low-income students • coordinating the WICHE Student Exchange and WWAMI graduate medical education programs
547	Ms. Barrans	<p>Continued that the Commission protects the education consumer by:</p> <ul style="list-style-type: none"> • monitoring school advertising and contracts with students • responding to public complaints • assuring refunds and student teach-outs when schools close • gathering information on aid for Alaskans and disseminating it so that qualified residents are aware of financial resources available for postsecondary study
745	Ms. Barrans	<p>Listed the organizational structure of the Commission is a 14-member body in accordance with AS 14.42.0 15. The Executive Director reports to the Commission. The Commission staff, totals 104 positions, which are organized in five divisions, managed and supported by a seven-member professional team: the Information Services Director, Finance Officer, Internal Auditor, Director of Operations and Outreach, Compliance Services Director, and Personnel Officer, each reporting directly to the Executive Director.</p> <p>The Commission operations center is located in Juneau and its marketing, outreach, institutional compliance services, and information technology unit is located in Anchorage.</p>

847	Ms. Barrans	<p>Stated that the Alaska Student Loan Corporation has statutory responsibilities and duties:</p> <ul style="list-style-type: none"> • Borrow money to carry out the Corporation's purpose as the financing source for the AlaskAdvantage Programs and issue obligations as evidence of borrowing. • Invest money held by the Corporation. • Enter into agreements with the ACPE to administer the education loan fund.
920	Ms. Barrans	<p>Reiterated the highlights of the organizational structure.</p>
935	Ms. Barrans	<p>Spoke to the AlaskAdvantage Loan Program. She explained that after a period of several years from the late 1980's through the mid-1990, during which the ASLC experienced significant improvements to the loan program and the servicing of the portfolio have resulted in a positive financial impact for the Corporation. Since 1995, when the first of many program changes were made by the Legislature, the Corporation has continued to progress toward creating a strong financial foundation for the loan program:</p> <ul style="list-style-type: none"> • The programs cohort default rate has dropped from 17.0% in 1996 to 4.6% in 2001. • Program expenses including loan losses have declined by \$8.2 million from FY1995 to FY2002. • The cumulative fund deficit, which peaked at \$50 million in FY1997, has been eliminated in FY2002.
1051	Ms. Barrans	<p>Referenced Page 4 of the handout. She spoke to the Corporation's key operational objectives, which are prioritized to allow the Corporation to increase its financial strength and effectiveness to fulfill the mission effectively:</p> <ul style="list-style-type: none"> • Insure the ongoing fiscal stability and credit standing of the Corporation • Continue to offer low-interest rates to insure affordable education to new customers

		<ul style="list-style-type: none"> • Continue to identify ways to translate financial stability into cost savings for existing customers • Provide an annual payment to the State as a return of its initial capital contribution of \$306 million <p>The Corporation continues to implement changes that will maintain and further improve the health of the loan fund, while at the same time insure that access to education funding remains as broad as possible.</p>
1157	Ms. Barrans	<p>Referenced the Student Loan Operations. The goals of that component are:</p> <ul style="list-style-type: none"> • to service the outstanding loan portfolio, maximizing repayment to the student loan fund and protecting the financial integrity of ASLC; • to identify and implement program efficiencies through improved management, processes, and technology to insure the self sustainability and marketability of the AlaskAdvantage Programs through the 21st century; • to provide low-cost financing for the loan programs • to disburse low-cost loans to eligible Alaskans enabling them to pursue postsecondary education and training; and • to serve and value our customers, including students, parents, policymakers, bondholders, professional colleagues, and co-workers.
1328	Ms. Barrans	<p>Within that Division are the:</p> <ul style="list-style-type: none"> • Information Support Services • Finance • Student Financial Aid • Loan Servicing • Customer Service
1420	Ms. Barrans	<ul style="list-style-type: none"> • Administrative Services • Collections, and • Outreach
1511	Ms. Barrans	<p>Highlighted the program administration. This component contains the Executive Office, the Personnel Office, and the Compliance Services section. The goals</p>

		<p>of the component are:</p> <ul style="list-style-type: none"> • to administer and provide policy direction for programs administered by ACPE and funded by ASLC, identifying and achieving efficiencies through improved management, processes and technology; • to insure postsecondary programs and institutions operating in the state, with the exception of the University of Alaska system, comply with AS 14.48 and 20 AAC 17, which relates to regulation of institutions; • to emphasize quality in education and training programs to insure value for Alaskans in their pursuit of lifelong learning; and • to provide Alaskans with information about the educational opportunities available in Alaska and the financial aid programs available to assist in accessing those opportunities.
1541	Ms. Barrans	<p>Referenced Page 8, the Western Interstate Commission on Higher Education (WICHE) Student Exchange Program. The goal of the component is to provide undergraduate and graduate educational access and information to Alaska students studying or wishing to study in fields for which there are no programs operating in Alaska or which are there are no programs operating in Alaska or which are offered to residents of member states in order to maximize the benefits of regional educational resources.</p> <p>The component administers various WICHE programs in Alaska:</p> <ul style="list-style-type: none"> • The Western Undergraduate Exchange (WUE); • The Professional Student Exchange Program (PSEP); and • The Western Regional Graduate Program (WRGP).
1750	Representative Stoltze	<p>Asked if the State was subsidizing the training of lawyers.</p>
1809	Ms. Barrans	<p>Advised that at one time, the professional student exchange program did</p>

		support the study of law, however, that did end in 1988.
1820	Ms. Barrans	Explained that the structure in which Alaska participates in that program is basically a loan program. Students that participate in that program, incur as a loan debt, the value of the support fee paid on their behalf.
1845	Ms. Barrans	Total loan volume for FY02-FY03 is just over \$125 thousand dollars.
1941	Ms. Barrans	Noted that Suzanne Tryck, Director, Alaska Regional Affairs, University of Washington School of Medicine, WWAMI Program, was on line and available for questions regarding the WWAMI program.
2021	Ms. Barrans	<p>Described the Washington, Wyoming, Alaska, Montana and Idaho (WWAMI) program. The program provides guaranteed access to a medical school for residents of Alaska. The University of Washington School of Medicine (UWSM), which focuses on producing family practice doctors, acts as the regional medical school for Washington, Wyoming, Alaska, Montana and Idaho by reserving a predetermined number of class places each year. After admission, Alaska students attend the University of Alaska, Anchorage, for the first year of medical school. Students attend the second through fourth years in Seattle, with the option of clinical clerkships during this time at clinics in towns in the WWAMI states.</p> <p>WWAMI funding supports the Alaska clinical sites, as Alaska is a participant in the WWAMI program. Alaska currently contracts with the UWSM and pays for thirty places, ten in each of the 2nd, 3rd, and 4th years of study.</p> <p>Effective with the 1999-2000 school year, as a condition of receiving WWAMI support, Alaska students must agree to practice medicine in Alaska for five years or, alternatively, to repay a portion of WWAMI program costs paid by the State of Alaska. The loan component consists of the annual difference between resident and non-resident tuition at the UWSM for the program period, plus</p>

		interest. For participants entering the program in 2002, the interest rate is 3.25%. For the 2002-2003 school year, the Board of Regents of the University of Washington set the nonresident tuition differential at \$16,126.00.
2221	Ms. Barrans	<ul style="list-style-type: none"> • Administered WWAMI contract between the Alaska Postsecondary Education Commission, the University of Alaska, and UWSM. • Continue to enter into participation contracts and service the existing ones. Program participants must practice in Alaska for five years following program completion. If non-compliant, they will be required to repay the tuition differential paid on their behalf, plus interest. • Provide information on WWAMI to all Alaskan high schools.
2340	Vice-Chair Meyer	Asked how the interest rates on the student loans were determined.
2354	Ms. Barrans	Responded that they are set on a formula that the federal government uses. It is reset once a year based on an average of a resale rate for the index.
2427	SHIELA KING, FINANCE OFFICER, ALASKA POSTSECONDARY EDUCATION, DEPARTMENT OF EDUCATION	Explained that the loan rate was set based on the 91 day 'veto' based on the last option in May every year.
2501	Vice-Chair Meyer	Noted that one of his constituents wants to know why he cannot refinance his student loan.
2524	Ms. Barrans	Responded that in April of this year, the Alaska Postsecondary indents to offer a consolidated loan offering. The loans that the Commission issued prior to 2002, were fixed rate loans and were established based on the cost of financing for the funds that funded that loan. The other issue is that there was zero interest charged while the borrower was in school, which needs to be factored in. The rates that are issued today, the interest are reset each year. Interest begins to accrue the day that the loan is disbursed. She summarized that the situation is 'not black and white'. Effort needs to be made to mitigate the

		costs.
2749	Vice-Chair Meyer	Inquired if all students going to all out of State schools pay the same interest rate.
2817	Ms. Barrans	Stated that the agency does not differentiate.
2831	Vice-Chair Meyer	Asked if all Alaskans qualify for the loan if they request it.
2845	Ms. Barrans	Acknowledged that there is certain eligibility criterion that needs to be met for both the federal and state loan. <ul style="list-style-type: none"> • No child support past obligations • No default on any previous loans with the state of Alaska • If they are subject to selective service requirements, there needs to be evidence that those requirements have been satisfied. A federal loan is an entitlement. For the Alaska Supplemental loan, there is a credit review and that money is not guaranteed.
2932	Ms. Barrans	Pointed out that the decline rate was less than 7%.
2957	Vice-Chair Meyer	Asked about the WWAMI program and if there was a requirement for how long the student would have to live in the State of Alaska.
3023	Ms. Barrans	Responded that there is an obligation that they return and work up to 4 years or they are obligated to repay as a loan that portion that the State paid. She added that there is a difference between resident and non-resident. Currently, the amount that would be is in excess of \$65 thousand dollars.
3058	Representative Hawker	Referenced Page 6 amount collected dollars on delinquencies. He asked why those numbers had dropped.
3137	Ms. Barrans	Replied that the default rate had dropped substantially. Also, the dividend has dropped which was a single source of capturing the collectable debt.
3218	Representative Hawker	Stated that the decline seemed unusual. He questioned if the State had reached a point of collective-ability of the loans.
3249	Ms. Barrans	Replied that the number of borrowers has increased. In 1996, tracking began and it was noted that there was a higher default rate of borrowers within the State- 40% higher. That amount dropped too less than a 5% differential in the

		2001 number.
3347	Co-Chair Williams	Referenced the number previous mentioned that 1 in 4 students do not go on to be college education. He asked the national norm.
3420	Ms. Barrans	Suggested that statistic indicates that at the point of going on to college, on 1 in 4 choose that route. On the average, other states see about 40-50% of their graduating students go on to college. By delaying the benefits, the student misses out. She noted that the agency is attempting to educated students regarding the benefits of a college education. She noted that they were trying to start educating people on how to create the college expectation. It is important to identify the programs and what is effective to getting kids excited about postsecondary education.
3620	Ms. Barrans	Added that in 2001, there was a clarification of the Commission's mission.
3640	Representative Stevens	Pointed out that he had received Alaska's student loan. He asked about the age group of the borrowers.
3726	Ms. Barrans	Replied that the agency is available for lending at any point in life to help the student no matter what their age.
3828	Representative Stevens	Asked the number of current students with outstanding loans; he asked the total number of loans made throughout the history of the program.
3847	Ms. Barrans	Responded that the agency makes about 10,000 loans a year; at this point, there are approximately 75,000 borrowers. She did not know the total number of Alaskans served. The total amount loaned to Alaskans is in excess of \$1.3 billion dollars since inception.
3942	Representative Stevens	Referenced Page 4 and asked the initial amount.
3950	Ms. Barrans	Replied that \$306 million was the total assets that was conveyed to the Corporation.
4052	Ms. Barrans	Concluded her presentation.
		TAPE HFC 03 - 12, Side B
		DEPARTMENT OF FISH AND GAME
4703	KEVIN DUFFY, ACTING-COMMISSIONER, DEPARTMENT OF FISH AND GAME	Discussed the Department's programs and missions. The mission is to protect, maintain and improve the fish, game and aquatic plant resources of the State and

		to manage their use and development with the best economy and well being of the people in the State, consistent with the sustainable yield principles.
4524	Acting-Commissioner Duffy	Reviewed the Department of Fish and Game's staff.
4409	Acting-Commissioner Duffy	Stated that the Department has a \$135 million dollar budget from about 10 separate funding sources. The majority of the funding comes from three main sources: <ul style="list-style-type: none"> • \$48 million federal funds • \$30 million general funds • \$25 million from fish and game receipts.
4316	Acting-Commissioner Duffy	He noted that the majority of the general fund dollars, 80% goes into the Division of Commercial Fisheries. The Division of Sport Fish and Wildlife Conservation are fully funded by non-general fund sources.
4219	Acting-Commissioner Duffy	Sustainability is the management philosophy of the Department with the priority being subsistence use & recreational hunting and fishing.
4111	Acting-Commissioner Duffy	Statewide there are approximately 1,800 authorized positions, half of which are part-time seasonal. The workload doubles in the summer. He added that there are 40 locations throughout the State that the Department has a presence.
4036	Acting-Commissioner Duffy	Discussed issues that would come before the Legislature this session, especially from the Joint Salmon Task Force.
3931	Representative Stoltze	Questioned if the Legislature should rename the Division of Wildlife Conservation to the Division of Game. Commissioner Duffy recommended waiting until the Governor's proposed FY04 budget comes before the Legislature.
3843	Acting-Commissioner Duffy	In response to a question by Representative Stevens, Mr. Duffy discussed the management structure. He observed that a deputy commissioner would not be appointed to the Division of Fish and Game until the Commissioner is appointed. He observed that his intent, if he was appointed Commissioner, that he would remain on the North Pacific Ground Fish Council to ensure that the best interest of Alaska benefits to the maximum affect.
3612	Acting-Commissioner	Further discussed the North Pacific

	Duffy	Ground Fish Council and its affect on the Bering Sea crab fisheries. He observed that rationalization of the gulf fisheries is an important issue. He added that the Gulf fisheries are fairly complex and this issue is extremely important to the residents of Kodiak and other coastal communities. The voting structure consists of 11 members, of which, 6 are from Alaska. Mr. Duffy acknowledged that internal coordination was very important.
3330	Representative Stevens	Requested a description of the test fisheries.
3255	Acting-Commissioner Duffy	Reviewed the Test Fisheries program. He noted that receipts were used to assess stocks. Procedures have been designed to assure that test fisheries are not used to run the Department. The test fish component receives a large portion of the operating budget for the Department.
3202	KEVIN BROOKS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME	Expanded. He noted that the test fish has evolved in the budget. He explained that there is about \$4 million in receipt authority, however the Department has never collected the full amount. Test fisheries has involved into a funding mechanism for the management program. The program realizes in excess of \$2 million dollars a year or 10 percent of the Division of Commercial Fisheries receipts.
3009	Representative Stoltze	Questioned the Department's position on the Tony Knowles Coastal Trail in Anchorage.
2933	Acting-Commissioner Duffy	Did not know the current Administration's position. The previous Administration favored the orange route, which had some presence on the refuge.
2821	Co-Chair Harris	Asked that the Commissioner provide a map of the area indicating the potential routes and a statement on the previous and current Administration's position.
2756	Co-Chair Harris	Questioned if the Department was taking a different philosophy on game management.
2653	Acting-Commissioner Duffy	Pointed out that the Game Board has a range of tools by which the wildlife population is managed. He admitted that it is too early in the Administration to identify those positions.
2613	Co-Chair Harris	Referred to subsistence and observed that the Governor has made a commitment to address that issue.

2545	Acting-Commissioner Duffy	Stressed that subsistence would be a high priority, but observed that the issue remains to be addressed. He commented that he anticipated it would be multifaceted.
2500		DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES
2450	MIKE BARTON, ACTING COMMISSIONER, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES	Introduced his staff and distributed a handout. (Copy on File).
2309	Acting-Commissioner Barton	Provided an overview of the handout. He noted the regional boundaries serviced by the Department: <ul style="list-style-type: none"> • Northern Region • Central Region • Southeast Region
2223	Acting-Commissioner Barton	Pointed out that there are 84 maintenance stations statewide.
2152	Acting-Commissioner Barton	Spoke to the: <ul style="list-style-type: none"> • <u>National</u> highway system; • Alaska highway system; • The Alaska highway system; the 261 State-owned airports; • The 73 State-owned harbors, of which, 51 are operated by agreement with local governments; • 33 ports-of-call consisting of 3,500 nautical miles
2051	Acting-Commissioner Barton	Referenced the organizational chart of the Department and the components of responsibility of each division.
1934	Acting-Commissioner Barton	Pointed out the historical construction expenditures from 1997 through 2004. The trend is upward. There are also two bond programs.
1910	Acting-Commissioner Barton	He noted that the operating budget shows the opposite trend, trailing downward. The operating budget buying power has also reduced in the past few years.
1841	Acting-Commissioner Barton	Noted that the operating budget by funding source: <ul style="list-style-type: none"> • AK marine Hwy Fund \$86.1 • State Designated program receipts - \$1.1 • Receipts Services - \$7.2 • Federal Receipts - \$2.8 • General Funds - \$94.3 • General Program Receipts - \$.1

		<ul style="list-style-type: none"> • I/A Receipts - \$4.6 • Hwy Working Capital Fund - \$23.7 • International Airport Revenue Fund - \$47.3 • Oil/Hazard Fund - \$.7 • Capital Improvement Program Receipts - \$83.4 <p>He noted that it totaled to a little over \$350 million dollars.</p>
1820	Acting-Commissioner Barton	Pointed out the general fund and receipt-supported services by function. The maintenance and operations portion of the budget amounts to approximately \$86,729 million dollars. Those funds are used to maintain roads and airports.
1727	Acting-Commissioner Barton	Listed the regional maintenance funding and the totals related to each region: <ul style="list-style-type: none"> • Southeast - \$8,953 million dollars • Northern - \$37,166 million dollars • Central - \$29,630 million dollars
1638	Acting-Commissioner Barton	Highlighted the maintenance concerns: <ul style="list-style-type: none"> • FY03 Operations Budget Cut • Highways, Aviation & Facility Impacts <p>He explained that the maintenance station closures, the maintenance reductions, and the federal funding agencies. Acting-Commissioner Barton continued, listing the O&M FY03 Supplemental request, which would restore operations for the remainder of the year and open maintenance stations in Ninilchik, Birch lake, and Chitina. It would also restore maintenance at airports in Skwentna and Clear and would restore maintenance at State buildings.</p>
1512	Co-Chair Harris	Questioned that in the request for supplemental funding, had Birch Lake been reopened.
1451	Acting-Commissioner Barton	Stated that it was.
1427	Acting-Commissioner Barton	Referenced the disaster slide indicating disasters which occurred in the Fall 2002: <ul style="list-style-type: none"> • October Flood - Kenai Peninsula • November earthquake - Denali • November flood - Kenai • Federal Disaster Funding Agencies - FEMA & FHWA
1337	Acting-Commissioner	Referenced the Kenai Floods impacts,

	Barton	noting that some would require a general fund match. He noted that it was unfortunate that the Department was not able to quickly get the permits that they needed to address the impacts.
	Co-Chair Harris	Asked about which division had affected the permitting delay.
1218	Acting-Commissioner Barton	Replied that it was the Habitat Division. He noted that the Department was still identifying problems.
1131	Acting-Commissioner Barton	Discussed airports, noting the impact from the earthquake. Alaska is the largest airport operator in the United States.
1104	Representative Stoltze	Asked which State airports were net revenue producers.
1049	Acting-Commissioner Barton	Replied that Anchorage and Birchwood were the only revenue generating airports in Alaska.
1028	Acting-Commissioner Barton	Added that even though the other airports do not make money, they provide an essential service within the State.
1006	Acting-Commissioner Barton	Spoke to the Alaska International Airport System (AIAS). <ul style="list-style-type: none"> • Includes Anchorage 7 Fairbanks international airports • Enterprise fund covers operating costs and capital costs not paid for by federal funds • Total annual operating budget is approximately \$68 million dollars • FAA capital funds and passenger facility charges total over \$23 million annually. He added that the Anchorage airport helps the revenue situation of the Fairbanks one. Anchorage is the #1 cargo airport in the United States and is the economic engine for all of Alaska.
841	Acting-Commissioner Barton	Highlighted the Ted Stevens Anchorage International Airport. He pointed out that it is: <ul style="list-style-type: none"> • Busiest floatplane base in the world • Has the largest economic impact in the State of Alaska • Serves 5 million passengers per year • 58 airlines currently operating at that airport
822	Acting-Commissioner Barton	The Fairbanks International Airport is <ul style="list-style-type: none"> • The #13 cargo airport in the country • Large floatplane base, which has

		<p>been recently expanded</p> <ul style="list-style-type: none"> • Large economic impact • Serves 800,000 passengers per year • 15 airlines currently operating at that airport.
717	Acting-Commissioner Barton	Outlined the design and engineering services. That Division consists of bridge design, statewide materials, ports and harbors, design and construction standards and research and technology transfer.
628	Acting-Commissioner Barton	The actual construction program is the responsibility of various regions.
524	Acting-Commissioner Barton	<p>Alaska Marine Highway System (AMHS)</p> <ul style="list-style-type: none"> • AMHS celebrated its 40th anniversary on January 23rd • 3,500 total nautical miles of coastline served by AMHS from Bellingham to Unalaska • CY2001 statistics - 318,891 passengers and 93,946 vehicles which equates to 60,902,285 passenger miles and 18,479,996 vehicle miles • Alaska Marine Highway vessels traveled 475,650 nautical miles in 2000 • Designated a national Scenic Byway in 2002 • Fuel costs average 11% of AMHS annual operating budget • Labor costs average 68% of the AMHS annual operating budget
120	Co-Chair Harris	Questioned if the replaced 40+ ferryboats would be replaced with more fast ferries.
109	Acting-Commissioner Barton	Advised that the Department currently has options on 2 more fast ferries. The Department has not decided if they will take advantage of those options.
52	CAPTAIN GEORGE CAPACCI, GENERAL MANAGER, MARINE HIGHWAY SYSTEM, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES	<p>Noted that the strategic plan calls for a future fleet mix, with some conventional vessels with a system of fast ferries and catamarans and future passenger only ferries to interconnect. The plan will be a mix of both. The current plan for the year 2020 consists of five mainline vessels, conventional vassals and a fleet of five to six catamaran vessels.</p> <p>TAPE HFC 03 - 13, Side A</p>
019	Co-Chair Harris	Asked how much anticipated federal funding would there be for the marine highway. Captain Capacci replied that

		the vast majority of the funds would be acquisition costs, federal funding.
108	Acting-Commissioner Barton	Discussed the ports and harbors. <ul style="list-style-type: none"> • The Department is responsible for 73 public harbors • 51 facilities operated by local governments • Capital Program is largely Corps of Engineers Program, except bond funds and State match • 39 active capital projects for \$53.2 million in authorizations • HB 525 authorized \$31.8 million dollars for upgrading and transferring 27 facilities in 10 communities
256	Acting-Commissioner Barton	Reviewed measurement standards and commercial vehicle enforcement (MSCVE): <ul style="list-style-type: none"> • MSCVE enforces all federal and State commercial vehicle laws to ensure safe highways • MSCVE certifies the accuracy of all weighing and measuring devices used in committee • MSCVE issues permits for overweight vehicles • MSCVE is implementing a new one-stop web-based permit system
457	Co-Chair Harris	Referred to the gravel to asphalt program and asked if that was a program that the Commissioner intended to keep.
513	Acting-Commissioner Barton	Replied that the program would be continuing. He expressed his support.
528	Representative Stevens	Asked if the measurement program was a self-supported program.
544	Acting-Commissioner Barton	Responded that program is largely receipt supported. They also certify scales that are for State construction projects.
556	Representative Hawker	Referred to the international Airport Fund. He noted the \$81.8 million unrestricted cash assets in that fund. He asked if that money was in excess of the needs of the International Airport fund.
627	Acting-Commissioner Barton	Explained that those funds came through the carriers. It is not leftover general fund dollars.
712	NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT	Agreed that the funds came from the providers. All of it has been identified for on-going capital projects. The Capital and Operating budgets for the

	OF TRANSPORTATION AND PUBLIC FACILITIES	airports are set up through an operating agreement that identifies anticipated expenditures and then they develop their landing fees.
850	Representative Hawker	Requested if a schedule that could analysis that information could be provided to the Committee.
906	Vice-Chair Meyer	Asked when road construction could be expected on the Abbott Luke extension.
928	Acting-Commissioner Barton	Commented that he was not prepared to speak to the Capital budget. He noted that the Kotzebue project would be the first to come out of the bond package.
1001	Vice-Chair Meyer	Asked if the State paid Bacon-Davis wages on the road projects. Acting-Commissioner Barton replied that they do. Vice Chair Meyer asked about expanding into parklands.
1056	MICHAEL DOWNING, ACTING DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES	Explained that the State is using federal highway money and following their procedures. There is a provision called 4-F that complicates the process. The standard is if there is any reasonable alternative to going across, the Department is required to choose that alternative. He emphasized that the State is limited.
1215	Vice-Chair Meyer	Observed that the alternative is to displace some families.
1228	Mr. Downing	Emphasized the need for creative solutions.
1245	Vice-Chair Meyer	Asked how much of the budget was allocated for snow-removal. He was curious that since there had not been much snow this year, would some of that money be carried forward.
1258	Acting-Commissioner Barton	85% percent of the maintenance budget is designated for winter use.
1310	FRANK RICHARDS, STATEWIDE MAINTENANCE AND OPERATIONS, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES	Explained that the snow removal budget for the Department is \$86 million dollars. That includes funding for the facility maintenance as well. The winter maintenance costs are fixed in terms of personnel, equipment and commodity purchases. The costs are on a fiscal year basis and if the product is not expended, the product is carried forward.
1412	Vice-Chair Meyer	Questioned fixed costs and asked if the personnel were fixed costs or contract costs.
1421	Mr. Richards	Replied that to a great extend, they are State employees. In the rural airports,

		the Department does have contract to maintain those airports.
1444	Vice-Chair Meyer	Questioned the ratio of State employees in relationship to the contracts.
1503	Mr. Richards	Observed that in Anchorage, the Department works with the Municipality. There, the State and the City has road responsibilities; however, contracts are used in other areas whenever the opportunity exists.
1622	Vice-Chair Meyer	Questioned the cost benefit.
1634	Mr. Richards	Commented on the completion of the Whittier tunnel. The tunnel operation was privatized. There was snow removal in both the Whittier and the Bear Valley side. Because of the low winter, it was hard to maintain a contract. Because of that, it has been difficult to get contracts because of the variable weather possibilities and contractors were unsure of the costs. Eventually, the Department went back to using State employees.
1736	Vice-Chair Meyer	Expressed his support for returning neighborhood roads to the local areas. He spoke to the recycled asphalt program and questioned if that product was being sold to the cities.
1843	Mr. Downing	Explained that a policy was adopted to use the recycle asphalt as part of the base for all new high volume highway construction. He acknowledged that the State of Alaska recognizes the value.
1925	Vice-Chair Meyer	Questioned the goal for snow removal.
1938	Mr. Richards	Replied that the snow removal time frame for high volume roads is as soon as possible when the snow hits. Those roads of less use, then 24 hours for initial cleanup, and in smaller roads, it would be an extended up to 48 hours time period.
2045	Vice-Chair Meyer	Referenced the Lake Hood airport.
2056	Acting-Commissioner Barton	Replied that Lake Hood is the largest floatplane base in the world. It is extremely busy.
2108	Co-Chair Harris	Questioned if the Department was investigating turning over to the communities, the State highway system that is within their community boundaries.
2144	Mr. Richards	Observed that there is a program to work with communities through capital funds to upgrade roads for those communities that

		are willing to accept responsibility for keeping their own roads. He emphasized that it would depend on the willingness of communities to take on the responsibility. The Department is supportive of working more with the communities.
2251	Co-Chair Harris	Stressed that the State of Alaska should do as they have asked the federal government to do and that is to provide more grants with "less strings attached".
2346	Acting-Commissioner Barton	Reiterated that the State is interested in transferring ownership of the unfunded roads.
2404	Co-Chair Harris	Emphasized that he was not talking of unfunded mandates.
2418	Representative Whitaker	Referred to maintenance. He noted that the decision to cut was made at the Administration level.
2456	Representative Stevens	Asked how the replacement vessels would be affected and the time line associated with that in regard to the Safety At Life At Sea Treaty (SALAST).
2514	Captain Capacci	Responded that SALAST has a number of safety requirement that are coming down that will cause old ships to be upgraded. The Taku and the Matanuska have some major rehabilitation of the passenger deck for safety by 2010. The estimate is between \$40 to \$50 million dollars per ship. He acknowledged that the Department is trying to determine if it is wise to spend that amount of money. There are options for construction of two additional fast ferries, but there is no commitment at this time.
2703	Representative Stoltze	Inquired regarding the status of the Tony Knowles Coastal Trail.
2719	Acting-Commissioner Barton	Responded that the Environmental Impact Statement (EIS) process is currently underway. Public comments are still coming in. The Department is looking at that project in order to determine where it should go. He questioned why the project is a State project. He believed that it should be a local project.
2925	Representative Stoltze	Commented that 72-hour snow removal is too long.
2951	Acting-Commissioner Barton	Responded that the State needs to look into privatization opportunities.
3019	Representative Stoltze	Observed that his district is dependent on recycled asphalt.

3038	Mr. Downing	Explained that if the asphalt is ground, it is remixed. If it is milled it can be separated. The State would consider requests for recycle asphalt by local communities. The State wants to avoid hauling it.
	<u>ADJOURNMENT</u>	The meeting was adjourned at 3:54 P.M.