

MINUTES
SENATE FINANCE COMMITTEE
March 28, 2003
9:04 AM

TAPES

SFC-03 # 35, Side A
SFC 03 # 35, Side B

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:04 AM.

PRESENT

Senator Gary Wilken, Co-Chair
Senator Lyda Green, Co-Chair
Senator Con Bunde, Vice Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Ben Stevens
Senator Robin Taylor

Also Attending: NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; JON MACKINNON, Deputy Commissioner of Highways and Public Facilities, Department of Transportation and Public Facilities; GEORGE CAPACCI, Captain, General Manager, Marine Highways System, Department of Transportation and Public Facilities; JEFF OTTESEN, Acting Director, Division of Statewide Planning, Department of Transportation and Public Facilities;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB 100-APPROP: CAPITAL PROJECTS

The Committee heard overviews of the requests of the Department of Transportation and Public Facilities. The bill was held in Committee.

HB 12-HARASSMENT BY ELECTRONIC COMMUNICATION

This bill was scheduled but not heard.

#SB100

SENATE BILL NO. 100

"An Act making capital appropriations and reappropriations; capitalizing a fund; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

Co-Chair Wilken referenced a listing of deferred maintenance projects as requested at the previous hearing. Other handouts relating to discussions at the previous hearing were also distributed. [Copies on file.]

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities detailed the handouts.

Ms. Slagle noted the listing of emergency maintenance projects also provided.

Ms. Slagle informed that Department is preparing responses to the questions regarding capital fund and Chandalar issues.

JON MACKINNON, Deputy Commissioner of Highways and Public Facilities, Department of Transportation and Public Facilities, detailed the Chandalar project. He noted that labor costs are higher and overtime costs are necessary. He furthered that additional site preparation is required, as the facility is to be located on permafrost and the hillside surrounding the facility must be excavated to allow for future development. He also noted construction costs statewide have increased 15-20 percent, particularly for mechanical and electrical work due to higher standards, which was not accounted for at the time the project was planned. He also informed that due to the increased construction activities resulting from the passage of the bond package, it would be more difficult to secure contractors for this project.

The Committee heard overviews on the main appropriation items and posed questions on specific allocation projects within those appropriations as follows.

Statewide Federal Programs
\$1,500,000 CIP receipts
\$65,975,000 federal receipts

\$53,871,000 general funds Match (G/F Match)
\$412,500 general funds/mental health funds (GF/MH)
\$412,500 Mental Health Trust Authority Authorized Receipts
(MHTAAR)
\$12,000,000 Statutory Designated Program Receipts (SDPR)
Reference No.: 6764
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
On-going Project
Statewide Programs

Mr. MacKinnon noted the general fund match requirement for this item is approximately \$54 million.

Ms. Slagle spoke to the general fund/mental health receipts included in this item, explaining these funds are specific to the coordinated transportation and vehicles program, which provides assistance for non-profit organizations to provide transport vehicles in local communities.

Ms. Slagle pointed out this item includes the Airport Improvement Programs and federal highway programs, and the amounts are based on the estimated amount of federal appropriation. She shared these figures are "cautiously optimistic."

Airport Improvement Program
\$143,581,163 federal receipts
\$12,468,800 International Airport funds
Reference No.: 7470
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
On-going Project
Federal airport improvements as outlined in the Airport Improvement Program and the International Airports Program.

Mr. MacKinnon listed variety of projects undertaken with these funds including: equipment buildings, lighting systems, and airport taxiway improvements.

Senator Olson asked whether this item includes any funding for the Ted Stevens Anchorage International Airport.

Ms. Slagle responded this item does not include any appropriations for the Anchorage airport, as negotiations are underway with the

airlines association with regard to funding for terminal modifications and other projects included in the five-year Capital Improvement Project (CIP). She anticipated an amendment to the FY 04 capital budget would be submitted once the negotiations are completed.

Federal Emergency Projects
\$25,000,000 federal receipts
Reference No.: 38424
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
One-Time Project
Emergency funds from the Federal Highway Administration for declared emergencies. Within 180 days funded at 100% federal; after that, about 9% State match is needed. May be used to address issues of emergency nature with federal airport or highway formula funds.

And

Federal Contingency Projects
\$15,000,000 federal receipts
Reference No.: 31376
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
On-going Project
Special national discretionary funding for highways or airports may be accepted through this appropriation. May be used to address issues of emergency nature with federal airport or highway formula funds. Also used in cases where a revised program is not feasible.

Senator B. Stevens asked if this request for receipt authority is in anticipation of projects.

Ms. Slagle affirmed this item is intended to cover any unexpected emergencies, such as floods or earthquakes. She informed that additional funds could be requested to address earthquake damage near Tok as more damage is discovered. She listed the estimated cost of damage resulting from the earthquake at \$60 million.

Senator B. Stevens asked the total appropriation in FY 03 for those items, including supplemental appropriations.

Ms. Slagle could not speak to specific amounts, explaining that the funds have also been utilized for some cost overruns. She stated that all funds appropriated in FY 03 have been expended.

Senator B. Stevens asked if the funding source appropriated for contingency projects is the same as that appropriated for emergency projects.

Ms. Slagle replied that the funding sources are different. She stated that in the past the funding has been combined into one request, although it has been determined the two items should become separate.

Senator Bunde asked if federal regulations permit cost overruns of the contingency projects to be treated as emergency projects.

Ms. Slagle answered no, which she stated is the reason the items are separated. She explained that federal government does not require separate accounting, although it allows for better tracking within the Department.

Senator Hoffman requested the complete funding amount anticipated in FY 04 for the Airport Improvement Program, Reference No. 7470.

Alaska International Airport System: Development Fund
\$6,000,000 International Airport funds
Reference No.: 38425
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
On-going Project

These funds may be used for design and construction of both exclusive-use and common-use AIAS projects. The funds allow for timely response to airport tenant development needs and are required by the operating agreement in place between signatory air carriers and DOTPF/AIAS.

Senator Hoffman noting fluctuation in previous appropriations for this item asked whether communities submit requests for projects.

Ms. Slagle replied this request is in line with the operating agreement with airlines to address particular items. She stated she would provide an accounting of how funds spent in the past and planned expenditures.

Senator Olson asked whether the source of funding for this item and Reference No. 7470 is revenues or general funds.

Ms. Slagle replied the \$6 million for this item is International Airport Revenue funds generated from landing fees, lease fees, etc.

Senator Olson asked if these projects involve general funds.

Ms. Slagle answered they do not.

Senator Olson asked about the \$12 million appropriation for Reference No. 7470.

Ms. Slagle explained that the item represents a summary of several projects including Reference No. 38425.

Bethel: Safety, Taxiway, Apron and Road Improvement

\$6,600,000 federal receipts

Reference No.: 38409

Category: Transportation

Location: Bethel

Election District: Bethel

Estimated Project Dates: 07/01/2003 - 06/30/2008

State Match Required

Phased - New Project

Expand runway 18-36 safety area; construct new general aviation apron, taxiways and access road; expand old general aviation apron as a new air taxi apron; expand the exiting north air taxi apron and add new highway access road connection; extend taxiway M to runway 18-36. Initial project scoping phase will define State 1 scope of work.

Senator Bunde asked if the proposed air taxi apron would include areas for aircraft tie-downs and the fees to utilize the tie-downs.

Ms. Slagle responded that the project would include tie-downs, but did not know the cost.

Senator Bunde commented that no fees are charged for tie-downs at the Anchorage airport and suggested the Department research the matter.

Ms. Slagle assumed that with implementation of changes to aviation revenue, this would be considered. She stated the Department was undergoing efforts to match agreements with fair market values.

Senator Olson commented that liability could be increased in the event of damage caused from use or failure of the tie-downs.

Senator Bunde suggested aircraft owners should utilize the tie-

downs at their own risk.

Senator Taylor understood international airport receipts are not dedicated but rather are general funds. He remarked that the legislature has full authority to expend those funds at its discretion. He spoke of the historical protection of those funds and the ability of airlines to negotiate the amounts they are willing to pay for landing fees based on the improvements they want.

Ms. Slagle stated that the international airport fund is established in statute as an enterprise fund for operational and capital expenses of airports. She warned that receipt of federal funds could be jeopardized if they were diverted to other purposes.

Senator Bunde clarified that he did not intend to single out Bethel in his comments, as other improvements elsewhere in the State are planned.

Anchorage Metropolitan Area Transportation System (AMATS)
Projects
\$68,734,000 federal receipts
Reference No.: 38515
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
Anchorage Metropolitan Area Transportation System (AMATS)
Projects

Mr. MacKinnon defined this item as those projects planned for the Anchorage area.

Surface Transportation Program
\$350,000 CIP Receipts
\$414,742,600 federal receipts
\$1,000,000 general funds
Reference No.: 32610
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required
On-going Project
Federal surface transportation improvements as outlined in the Statewide Transportation Improvement Program (STIP), the Transportation Equity Act for the 21st Century (TEA-21), and annual federal appropriations acts.

Mr. MacKinnon outlined this item.

Alaska Marine Highway: Juneau-Petersburg Fast Vehicle Ferry
\$40,000,000 federal receipts
Reference No.: 38466
Category: Transportation
Location: Southeast Alaska
Election District: Southeast Districts 1-5
Estimated Project Dates: 07/01/2003 - 06/30/2008
One-time Project
Design and build a Fast Vehicle Ferry for the Juneau-Petersburg day ferry service. An element of the Southeast Plan.

And

Alaska Marine Highway: Ketchikan-Wrangell-South Mitkof Fast Vehicle Ferry
\$28,000,000 federal receipts
Reference No.: 38465
Category: Transportation
Location: Southeast Alaska
Election District: Southeast Districts 1-5
Estimated Project Dates: 07/01/2003 - 06/30/2008
One-time Project
Design and build a Fast Vehicle Ferry for the Ketchikan-Wrangell day ferry service. Sister ship to Sitka fast vehicle ferry. An element of the Southeast Plan.

Senator Taylor noted none of the proposed fast ferries had been constructed and relayed the Southeast Conference recommendation that the first vessel operate for two years to measure its effectiveness before additional vessels were constructed. He exclaimed that the fast ferry project for British Columbia Canada failed.

GEORGE CAPACCI, Captain, General Manager, Marine Highways System, Department of Transportation and Public Facilities, countered that the Alaska project is completely different than the project in British Columbia. He told of similar vessels successfully operating in the Irish Sea under harsher conditions. He reminded that the intent is that the Alaska ferries would not earn a profit and stressed that the Alaska Marine Highway fleet would not be entirely replaced by fast ferries, but rather a combination of traditional and fast ferries would be utilized.

Senator Olson asked the displacement of these vessels.

Mr. Capacci responded that larger and faster ferries operate elsewhere in the world, and the proposed smaller vessels would meet the needs in Alaska.

Co-Chair Wilken asked about the British Columbia fast ferries program.

Mr. Capacci explained that speed is a necessity for Alaska, while is only a "luxury" for British Columbia.

Alaska Marine Highway: Saxman Terminal
\$1,400,000 federal receipts
Reference No.: 38327
Category: Transportation
Location: Saxman
Election District: Ketchikan
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required
One-time Project
Construct a terminal in the vicinity of Saxman to accommodate shuttle ferry operations from Annette Island.

Senator Bunde questioned the need for a new facility located in Saxman and asked why the existing Ketchikan terminal could not be utilized.

Mr. Capacci noted Saxman is closer to Annette Island and stated the location of a terminal in Saxman would relieve congestion in downtown Ketchikan.

Senator Bunde asked the number of people whom this new vessel would serve.

Mr. Capacci replied that Metlakatla, located on Annette Island, is a small community.

Co-Chair Wilken acknowledged this has been an issue of Senator Taylor's for many years and requested the Department provide additional information and assistance to Senator Taylor.

Senator Taylor asserted these funds could construct roads in his district with small ferries as connectors. He charged that the Department is keeping communities isolated. He challenged the comparisons to the British Columbia fast ferry program.

AT EASE 9:48 AM / 9:49 AM

King Cove and Cold Bay Hovercraft Terminals
\$6,000,000 federal receipts
Reference No.: 38470
Category: Transportation
Location: Southwest Alaska
Election District: Southwest Districts 36-38
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required
Phased-underway Project
Construct hovercraft terminals near King Cove and at Cold Bay's all-season airport. The terminal access road is funded.

Senator Hoffman asked the current status of this project to provide assess between King Cove and Cold Bay and whether the communities support the project.

JEFF OTTESEN, Acting Director, Division of Statewide Planning, Department of Transportation and Public Facilities, responded that the two communities were pursuing this project utilizing a hovercraft and partial roadways "reluctantly" with the ultimate goal of connecting the communities entirely with a road. He emphasized this is not a Department of Transportation and Public Facilities project.

Senator Hoffman asked if this appropriation would provide the final funding for this project.

Mr. Ottesen understood it would.

Senator Olson asked if other hovercrafts were currently operating in this location.

Mr. Ottesen responded that currently one hovercraft is operating and a second vessel is under consideration. He explained the water conditions and the absence of a breakwater.

North Denali Access Study Engineering Support
\$250,000 federal receipts
Reference No.: 38464
Category: Transportation
Location: Denali Borough
Election District: Unidentified Election District
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required
One-time Project
Departmental engineering support of the North Denali Access study being undertaken by the Denali Borough with TEA-21 High Priority funds.

SFC 03 # 35, Side B 09:52 AM

Co-Chair Wilken asked how these funds relate to other projects underway in this area.

Mr. Ottesen told of efforts to allocate funds to the Denali Borough with the intent the Borough would assume leadership of the project and estimated this item is related. He stated he would research the matter and provide information to the Committee.

Co-Chair Wilken surmised the Borough is using these funds to "torpedo the project".

North Slope Oilfield Connector Roads and Colville River Bridge
\$1,000,000 general funds
Reference No.: 38460
Category: Transportation
Location: Nuiqsut
Election District: Arctic
Estimated Project Dates: 07/01/2003 - 06/30/2008
Develop industrial use roads to provide all season access to new oilfield exploration/production areas in and near NPR-A. It also provides important all-season access for the village of Nuiqsut.

Co-Chair Wilken asked why this project is not funded with National Petroleum Reserve - Alaska (NPR-A) receipts. He requested Mr. Ottesen research the matter.

Mr. Ottesen told of the limited number of operating days currently available on the ice roads.

Co-Chair Wilken focused on the funding source and directed the Department to investigate utilizing NPR-A receipts.

Surface Transportation Preconstruction
\$75,000,000 federal receipts
Reference No.: 36366
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required
Phased Project

Funding for preliminary engineering costs and Right of Way and utility costs less than \$750,000.

Senator Hoffman asked how much of the appropriation is to purchase right of ways.

Mr. Ottesen explained that every year right of way costs vary for each project and are difficult to predict.

Senator Hoffman understood, but pointed out that an estimate is necessary to prepare a funding request.

Mr. Ottesen indicated the right of way estimate is included in the Statewide Transportation Improvement Program (STIP)

Senator Hoffman asked whether specific right of ways are identified for purchase using this appropriation.

Five Finger Lighthouse Access Improvements

\$245,000 federal receipts

Reference No.: 38317

Category: Transportation

Location: Kake

Election District: Cordova/Southeast Islands

Estimated Project Dates: 07/01/2003 - 06/30/2008

State Match Required

One-time Project

Establish a pedestrian access to the Five Finger Lighthouse by constructing a ramp with tram for lifting boats and people safely from tidewater to the concrete deck surrounding the lighthouse.

Senator Taylor asked who owns the lighthouse.

Mr. Ottesen responded that a nonprofit association has acquired the lighthouse and either owns or leases the facility.

Senator Taylor understood a nonprofit organization plans to operate a bed and breakfast at the facility and commented on the proposal that the State expend \$250,000 to enable this venture.

Co-Chair Wilken requested further detail on this item.

Northern Region: Winter Trail Markings

\$258,500 federal receipts

Reference No.: 36443

Category: Transportation

Location: Central Alaska

Election District: Central Districts 6-11
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required
Phased Project

Mark overland winter trails in Northern Region with permanent trail markers. Trail markers will ensure winter travelers can safely journey between communities in the area.

Senator Olson asked the location of these markers and whether the funding amount in this request would be adequate to ensure the safety of travelers.

Mr. Ottesen described the on-going project to mark areas. He informed that user groups are assisting in the installation of the markers and surmised the amount of funding in this request would be adequate in context to previous appropriations.

Federal Aid Highway Program Match from Bond Interest Earnings
\$2,250,000 Northern Tobacco Securitization Corporation (NTSC)
Bond
Reference No.: 38523
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
Replaces federal and highway general fund match with Northern Tobacco Securitization Corporation investment earnings on bond proceeds.

Mr. MacKinnon explained this item relates to the replacement of general funds with tobacco settlement funds as the match requirement for highway projects.

Co-Chair Wilken asked the purpose of this fund source change.

Co-Chair Wilken encouraged members to further review the Department of Transportation and Public Facilities budget requests.

Senator Bunde recommended the Department provide more information on request items in future years.

Co-Chair Wilken agreed. He noted the Chandalar project would be a multiple year appropriation.

Co-Chair Green commented to the "heart" of transportation system. She charged that the signage requirements of small businesses located along the road system have been negatively impacted further by Department inspections. She informed she would review the

proposed budget to ensure relief is provided to these businesses,
calling the Department's actions "a crime".

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ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 10:05 AM