

MINUTES
SENATE FINANCE COMMITTEE
March 05, 2004
9:03 AM

TAPES

SFC-04 # 32, Side A

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:03 AM.

PRESENT

Senator Gary Wilken, Co-Chair
Co-Chair Lyda Green, Co-Chair
Senator Ben Stevens
Senator Con Bunde
Senator Donny Olson

Also Attending: MIKE BARTON, Commissioner, Department of Transportation and Public Facilities; JEFF OTTESEN, Director, Division of Statewide Planning, Department of Transportation and Public Facilities; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities

Attending via Teleconference: From an Offnet Site in Anchorage: KIP KNUDSON, Deputy Commissioner of Aviation, Office of the Commissioner, Department of Transportation and Public Facilities

SUMMARY INFORMATION

SB 257-APPROP: CAPITAL PROJECTS

The Committee heard FY 05 capital projects requests from the Department of Transportation and Public Facilities. The bill was held in Committee.

#sb257

SENATE BILL NO. 257

"An Act making capital appropriations and supplemental appropriations; capitalizing funds; making other appropriations; making appropriations under art. IX, sec.

17(c), Constitution of the State of Alaska; and providing for an effective date."

This was the fourth hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken noted that the purpose of today's meeting is to hear the Department of Transportation and Public Facilities FY 05 capital budget requests.

Department of Transportation and Public Facilities

MIKE BARTON, Commissioner, Department of Transportation and Public Facilities, informed the Committee that, "the federal funding situation is at best murky." The federal FY 05 highway funding reauthorization, adopted by the United States (US) Senate, was \$318 billion. Approximately \$400 million of that amount was earmarked for Alaska in FY 05. US Representative Don Young advocated for a six-year reauthorization that would amount to \$375 billion in FY 05; however this amount has now being reduced to a \$280 billion range. While this would equate to approximately the same level of highway funding as FY 04, it would not "bode well" for major highway projects such as the Knik Arm Crossing, the Juneau Access Program, the Bradfield Canal project and others. However, there are numerous FY 05 transportation improvement projects that would benefit Alaskans.

Co-Chair Wilken asked how the federal authorization schedule would align with the State's budgetary process.

Commissioner Barton stated that while there might be \$280 billion authorized, it would have to be appropriated. Therefore, the federal funds that are appropriated to the State usually are received around October first of each year.

Co-Chair Wilken asked whether the assumption in preparing the Department's FY 05 capital budget request, is that the State would be receiving \$400 million.

Commissioner Barton stated that the Department is currently operating "under a continuing resolution" that would expire at the end of April. The Senate has passed its budget; however the House has not. There is uncertainty in regards to the actions of the House. The federal situation is dynamic.

Senator Bunde, noting that the list appears to be in alphabetical order, asked whether it is available in a priority project format.

Commissioner Barton responded that a priority list could be developed.

Senator Bunde stated that other Departments have presented their requests in a priority format and that it would be interesting to receive the Department's requests in that manner.

Co-Chair Wilken asked whether the Department has such a list.

JEFF OTTESEN, Director, Division of Statewide Planning, Department of Transportation and Public Facilities, responded that, while federal law mandates some projects, others are discretionary to the State or to sub-recipients such as Metropolitan Planning Organizations (MPOs). Both the State and the MPOs have their own prioritization list; however the lists are in constant flux depending on how a project is proceeding. Such things as environmental and right-of-way acquisition proceedings affect the status of a project. While a list could be developed and presented today, the list would not be static as there are numerous "external influences."

Commissioner Barton also noted that highway and aviation projects are separate components of the list.

Senator Bunde understood therefore that a flexible rather than prioritization approach is preferred. However, it would be helpful were a general prioritization list, provided.

Co-Chair Wilken stated that the Committee's Department of Transportation and Public Facilities subcommittee, which he chairs, could further address this request.

Co-Chair Wilken noted that the Department would be presenting approximately nine appropriation requests and four large groups of appropriations and allocations.

Alaska Marine Highway System-Vessel and
Terminal Overhaul and Rehabilitation
\$4,063,000 General Funds
Reference No.: 30624
Category: Transportation
Project Type: Renewal and Replacement
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004-12/31/2005
On-Going Project
Annual maintenance and overhaul on vessels and at terminals,

particularly component or system failures, which will impact service in the short term. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities stated that this annual funding request would address maintenance and overhauls of vessels. This work is required in order to keep vessels operational. \$3.8 million is specific to vessel overhaul and engines and wastewater/electrical systems and \$300,000 is specific for maintenance of shore-side facilities such as terminals and warehouses.

Airport Deferred Maintenance

\$800,000 General Funds

Reference No.: 30633

Project Type: Deferred Maintenance

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004-09/30/2005

On-Going Project

To repair the backlog of maintenance items that cannot be done through the operating budget funding levels. Typical items are pavement repairs, lighting repairs, fencing repairs, and bird and animal controls. This project contributes to the Department's Mission by reducing injuries, fatalities, and property damage and by improving the mobility of people and goods.

Ms. Slagle stated that this request would fund maintenance needs such as lighting, bird control, minor pavement repair, and fencing at Rural airports. She stated that a list of projects that have been funded in the past is included with the request.

Senator Bunde asked the reason that some FY 03 projects are depicted on the list, specifically whether their inclusion indicates that work on those projects is continuing.

KIP KNUDSON, Deputy Commissioner of Aviation, Office of the Commissioner, Department of Transportation and Public Facilities testified via teleconference from an offnet site in Anchorage and stated that the list is provided to indicate the types of projects that have received funding in the past. He noted that oftentimes projects are not determined until after the winter/spring season in order to determine how airports fared during the harsh winter

weather.

Senator Bunde again announced that receipt of a priority list would be helpful. Continuing, he voiced concern that the State is paying for maintaining airports "where there are State leases: in that people are utilizing those airports without reimbursing the State for those efforts.

Mr. Knudson responded that information regarding these airport projects and, specifically whether there are lease-revenues to support the projects, would be provided.

Senator Bunde suggested that consideration should be provided to establishing lease-revenue terms at these locations.

Emergency and Non-Routine Repairs

\$ 750,000

Reference No: 30634

Project Type: Health and Safety

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 09/30/2005

On-Going Project

Repairs to transportation facilities needed because of natural disasters, such as floods, snow, wind, earthquakes, etc. These repairs would be ineligible for federal funds. Also used to meet imminent failure needs caused by deferred maintenance. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods.

Ms. Slagle noted that the funding history of this annual request has ranged between \$500,000 and one million dollars. It is used to address non-routine or emergency situations that affect State airports, harbors, highways, and facilities resulting from such things as mudslides, floods, embankment failure, storm damage, and bridge failure. These types of things do not qualify for federal funding. No funding was provided in FY 04 and the funds are depleted.

Co-Chair Wilken recalled that the reason these items was unfunded in the FY 04 budget was because it was desired that these types of things be treated "as a true supplemental expense" that could be reviewed and discussed. He voiced certainty in regards to how this request would be addressed in the FY 05 budget.

Facilities Deferred Maintenance and Critical Repairs

\$ 1,256,100

\$501,200 AHFC Bonds

\$754,900 General Funds

Reference No: 30632

Project Type: Deferred Maintenance

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/02/2004-09/30/2005

On-Going Project

To address the most critical deferred maintenance needs of the Department of Transportation maintained facilities. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods.

Ms. Slagle stated that this deferred maintenance request would address facilities maintained by the Department. There is approximately \$34 million in deferred maintenance needs throughout the State for such things as alarm systems, lighting issues, electrical issues, and structural issues in storage facilities, maintenance stations, office facilities, and Court Houses.

Senator Bunde asked regarding how items on the list were identified.

Ms. Slagle stated that the current priority listing of facilities' deferred maintenance needs was most recently updated in November 2003. Selections from the list are identified based on available funding.

Harbor Deferred Maintenance

\$600,000 General Funds

Reference No: 7090

Project Type: Deferred Maintenance

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004-09/30/2005

On-Going Project

To address backlogged deferred maintenance for state-owned harbors. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods.

Ms. Slagle stated that this request would provide funding to address the large backlog of State-owned harbors' deferred maintenance needs. No on-going allocation to address these needs is

included in the Department's budget. She reminded that while ownership of numerous harbors is slated to be transferred to local communities, funds would be required to conduct upgrades to floats, electrical systems, and other needs in harbors that the State would continue to be responsible for in places such as Port Alexander, Angoon, Elfin Cove, Hyder, and Petersburg.

Co-Chair Wilken understood, therefore, that this request would support upgrades to harbors that would be retained by the State.

Ms. Slagle replied that no entity has been identified to which ownership could be transferred.

Senator Bunde questioned the need to upgrade the harbor at Port Alexander, as while it was once a thriving community, it is now quite small. Therefore, he asked whether size of a community is a determining factor in determining whether to spend, as in this case, \$500,000, on harbor improvements.

Ms. Slagle responded that this information would be provided.

Senator Bunde noted that this type of information is important in determining the priority of funding requests.

Highway Deferred Maintenance
\$ 1,100,000 General Funds
Reference No: 30631
Project Type: Deferred Maintenance
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004-09/30/2005
On-Going Project

The current backlog of deferred maintenance is \$128 million. The program will address some of the needs that cannot be funded in the operating budget maintenance funds (M&O - Maintenance & Operations). Typical items are surface and embankment repairs, drainage culverts and ditch repairs, guardrail repairs, marking and sign repairs, and brushing. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods.

Ms. Slagle noted that this request would address small projects such as brush cutting and guardrail repair that are not included in federal highway funding. There is an estimated backlog of \$280 million.

State Equipment Fleet Replacement
\$15,000,000 Hwy Capitl
Reference No: 30628
Project Type: Equipment
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004-06/30/2006
On-Going Project

Replacement and/or refurbishment of equipment and vehicles which have reached the end of their useful life cycle and all extension periods and for the continued conversion of vehicles to alternate fuel and related alternate fuel program expenses. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods.

Ms. Slagle stated that the Highway Capital Fund is the Department's annual appropriation that is utilized to replace vehicles in the State equipment fleet. This request would provide the authorization required to utilize the funds that are paid into the account specifically for this purpose.

AMD: Coordinated Transportation and Vehicles
\$650,000
 \$150,000 AHFC Div
 \$500,000 MHTAAR

Reference No: AMD30648
Project Type: Equipment
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004-09/30/2005
On-Going Project, Amendment, Mental Health Bill
Competitive grants for coordinated transportation services for Mental Health Trust beneficiaries whenever possible, or purchase of vehicles for beneficiaries where coordinated services are not yet available or appropriate. Performance Measure: Increase ridership of beneficiaries. This project contributes to the Department's Mission by improving the mobility of people and goods.

Ms. Slagle noted that this request would provide vehicles to assist the disabled.

Mr. Ottesen stated that this project combines several sources including federal transit money. Rather than targeting a specific service group such as the elderly or the disabled, the use of these

vehicles is conducted in a coordinated service fashion so that all groups share in their usage. This approach aligns with a new federal mandate that requires all federal agencies to coordinate these transportation services.

Co-Chair Wilken noted that the aforementioned federal funds are not reflected in the funding source breakout.

Mr. Ottesen affirmed. However, the funds are specified in the Department's federal program. A portion of these funds is also reflected in the FY 04 supplemental capital budget request.

Co-Chair Wilken explained that the forthcoming requests reflect the consolidation of large federal projects that are separated into the following groupings: federal airport improvement programs; statewide federal programs; surface transportation programs; and federal earmarked programs.

Airport Improvement Program
\$ 232,841,788
 \$232,541,788 Fed Rcpts
 \$300,000 Int Airprt

Reference No: 7470

Project Type: Construction

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004-06/30/2009

On-Going Project

Federal airport improvements as outlined in the Airport Improvement Program and the International Airports Program. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage and by improving the mobility of people and goods.

Co-Chair Wilken clarified that this funding is the total for all the federal airport improvement projects as reflected on the "Project Review Listing FY 05 Governor's Amended" list [copy on file] beginning with this reference number on page one and continuing through the top of page four.

Ms. Slagle stated that Reference Number 6764 is the appropriation summary for the \$232 million in the federal Rural airport improvement program that is funded by the Federal Aviation Administration (FAA). These projects have been chosen based on a review conducted by a Project Evaluation Board based on certain criteria, based on the State's prioritization of airport projects as a whole. The Department works closely with the FAA in these

determinations.

Mr. Knudson noted that in FY 03, this FAA program allocated \$177 million toward improvements at the State's international and Rural airports and that, to date this fiscal year, this program has provided in excess of \$179 million. This is good news as the program is a healthy one. The biggest challenge faced by the State is getting the projects out to bid.

Co-Chair Wilken commented that this is an extraordinary amount of funding.

Senator Bunde asked whether the Adak airport, which is identified in the request, has commercial airline service.

Mr. Knudson responded that Alaska Airlines has signed the governmental "Essential Air Service contract" and provides twice weekly service to Adak. This is a one-year renewable contract that would be extended at least another year.

Statewide Federal Programs
\$ 101,495,300
 \$ 50,000 AHFC Div
 \$40,436,900 ASLC Bonds
 \$49,572,600 Fed Rcpts
 \$11,435,800 G/F Match
Reference No: 6764
Project Type: Construction
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004-06/30-2009
On-Going Project
Statewide Programs

Co-Chair Wilken stated that this is the summary of the Statewide Federal Programs as reflected beginning on page four of the "Project Review Listing."

Ms. Slagle stated that this request regards the authorization of the State match for federal funding for FAA airport and highway projects, as well as for the authority for collaborative reimbursable program money that would allow the State to conduct projects in conjunction with the highway projects for such things as utility projects. The State's Highway Safety Grant program is also included in this request.

Co-Chair Wilken asked whether a new program would be coming online

in FY 06, as the funding source analysis indicates that the State's funding match requirement would be increasing to \$60 million that year.

Ms. Slagle replied that this would be the State match relating to the ongoing program.

Co-Chair Wilken noted that Members should note this increase for future reference.

Surface Transportation Program

\$409,023,800

\$ 400,000 CIP Rcpts

\$408,623,800 Fed Rcpts

Reference No: 32610

Project Type: Construction

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004-06/30/2009

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. This project contributes to the Department's Mission by reducing injuries, fatalities and property damage, by improving the mobility of people and goods and by increasing private investment.

Co-Chair Wilken stated that the next project grouping, consisting of Surface Transportation projects, begins toward the bottom of page four and continues through page nine.

Ms. Slagle stated that this request is presented with the assumption that the State would receive flat federal highway funding in FY 05. This would include funding for Statewide Transportation Improvement Projects (STIP).

Mr. Ottesen noted that this request includes FY 04 STIP projects that have not currently received Legislative authority. He shared that due to funding constraints, many projects have been delayed.

Co-Chair Wilken remarked that this request reflects an extraordinary federal authorization that requires a "nickel and dime" State match.

Senator Bunde observed that, in response to those who desire the State's budget to be reduced, the State could refuse these federal

funds in order to achieve that goal.

Congressional Earmarks

\$415,229,100

 \$ 8,000,000 CIP Rcpts

 \$407,229,100 Fed Rcpts

Reference No: 39037

Project Type: Construction

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004-06/60/2009

One-Time Project

Expected earmarked federal funds fro Alaska in Federal Fiscal Year 2005 federal appropriations acts. This project contributes to the Department's Mission by improving the mobility of people and goods and by increasing private investment.

Co-Chair Wilken understood that the State's current level of funding shortfalls might place some of these Congressional earmarks in jeopardy.

Ms. Slagle responded that while these programs have been earmarked, none of them are currently included in any appropriation.

Mr. Ottesen noted that the projects listed in the request are high priorities of the State and have been transmitted to Alaska's Congressional delegation by Governor Frank Murkowski. However, as of yet, their inclusion is not yet confirmed.

Co-Chair Wilken asked whether a prioritization list of the projects could be provided.

Mr. Ottesen stated that the list would be determined dependent upon Congressional earmarks.

Senator B. Stevens asked regarding the Federal-Aid Highway State Match, reference number 32609; specifically whether the \$40,500,000 State funding match would be required for the STIP.

Mr. Ottesen replied that this is correct, as that is the State match amount that would be required for several different categories of federal surface transportation funding.

Senator B. Stevens asked therefore whether this amount would include such things as the Community Transportation Program (CTP) and Anchorage Metropolitan Area Transportation Study (AMATS).

Mr. Ottesen affirmed. "The different categories of funding have different match ratios ranging from an 80/20" match to 100 percent federal. The "sweet spot" is 91/9 percent. The Department has recently enacted a policy that asks for local government participation equal to that of the State for certain projects. This has resulted in approximately a ten million dollar reduction in the request level.

Commissioner Barton voiced optimism that the federal funding would transpire. He thanked the Committee for its consideration.

Co-Chair Wilken stated that efforts, both on the State and federal level, must continue. He announced that this concludes the Capital Project Appropriation presentations.

The bill was HELD in Committee.

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ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 09:41 AM