

HOUSE FINANCE COMMITTEE
January 11, 2006
1:36 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:36:12 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

None

ALSO PRESENT

Representative Ethan Berkowitz; Representative Berta Gardner; Representative Norman Rokeberg; Representative Kurt Olsen; Representative Jim Elkins; Representative Bill Thomas; George Wuerch, Chairman, Knik Arm Bridge and Toll Authority; Malcolm Menzies, Southeast Regional Director, Department of Transportation and Public Facilities; J.C. Conley, Former Ketchikan Assembly; Jeff Ottesen, Director, Division of Program Development; Michael Barton, Commissioner, Department of Transportation and Public Facilities; William Green, Project Counsel, Knik Arm Bridge and Toll Authority, Anchorage; Michael Barton, Commissioner, Department of Transportation and Public Facilities

PRESENT VIA TELECONFERENCE

Bob Weinstein, Mayor, City of Ketchikan

GENERAL SUBJECT(S):

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 24th Legislative Session, contact 465-6814. After the 24th Legislative Session they will be available through the Legislative Library at 465-3808.

OVERVIEWS:
 KNIK ARM BRIDGE & TOLL AUTHORITY
 GRAVINA ISLAND BRIDGE

TIME	SPEAKER	DISCUSSION
1:36:33 PM	Co-Chair Meyer	Co-Chair Meyer introduced the new committee member Representative Beth Kerttula and convened the House Finance Committee in order to discuss the Knik Arm and the Gravina Island Bridge. He noted that the meeting would provide an opportunity to the intended financing. Those two items will be contained within the Capital Budget.
		KNIK ARM BRIDGE & TOLL AUTHORITY
1:38:16 PM	GEORGE WUERCH, CHAIRMAN, KNIK ARM BRIDGE AND TOLL AUTHORITY	Introduced his staff, Mr. Green, Project Counsel. Mr. Wuerch provided the Committee with handouts from the Knik Arm Bridge annual report from the project.
1:40:15 PM	Mr. Wuerch	Referenced Page 5 of the handout, the satellite view of the map of the greater Anchorage, Mat-Su, Port MacKenzie area proposed for the Knik Arm Crossing. He pointed out the Anderson dock approach & the area called the "elephant cage" - for the highly classified intelligence.
1:41:27 PM	Mr. Wuerch	Referenced Page 9. He spoke to the impact of the defense communication system and the Anchorage International Airport, the last consideration should be a high suspension bridge. He referenced the drawing on Page #9, which provides a conceptual visual of the bridge.
1:43:12 PM	Mr. Wuerch	Referenced Page 10 & 11, which provide the graphic results of the Federal Highway Commission's scoping process that took place last year. He added that over 20 alternatives had been considered. The most reasonable proposals contained two different approach roads on the Port MacKenzie side. He stated that either proposal would work for the Toll Authority.
1:44:33 PM	Mr. Wuerch	Referenced figure #2, Page 10 - the Southern alignment bridge, which moves the bridge structure and minimizes the 'foot print' from military communication. It does move it closer to the Port of Anchorage.

1:45:10 PM	Mr. Wuerch	Referenced figure #3, Page 11 provides illustration for the Erickson Street alternative alignment. Phase 1 connects to the A/C couplet, while Phase 2 connects to the Ingra/Gambell Couplet.
1:46:33 PM	Mr. Wuerch	Addressed alternative #4, the Degan Street alternative alignment.
1:46:44 PM	Mr. Wuerch	Spoke to the financing chart as listed on Page 13. He pointed out the \$94 million dollars proposed by the Governor for the Capital Budget. He noted the revenue bonds, hopefully totaling \$200 million dollars. He acknowledged the unresolved large block of money that needs to be filled with out resources.
1:48:14 PM	Mr. Wuerch	Reiterated that there is a large segment of the pie that needs financing discussion in the amount of \$250 million dollars.
1:48:33 PM	Mr. Wuerch	Addressed the important milestone of breaking ground. He noted Page 14, which highlights the 2006 milestones: <ul style="list-style-type: none"> • Public release of draft EIS permit application • Legislative approvals • Release of final EIS/record of decision • Finalize financing final permits • Phase 1 construction kickoff
1:49:13 PM	Mr. Wuerch	Commented on a special grant from the Mat-Su Borough. He suggested that the amount become a State funded item, not using any federal funds. He thought it qualified as a maintenance upgrade. If the item was addressed through the supplemental budget, it could be completed by next fall.
1:50:06 PM	Mr. Wuerch	Admitted that no project needs all the money up front. Page 13, references cash flow, adding up to the \$600 million dollar request. Recently, those cost estimates have been updated with the inflation numbers. The 2005 dollars would total approximately \$550 million dollars; those same dollars in 2008 would be approximately \$595 million dollars.
1:51:31 PM	Mr. Wuerch	Submitted that the price is right; acknowledging that there is question from where the money will come from. He summarized, noting that worldwide

		there are projects that are public & private partnerships (PPP).
1:52:45 PM	Mr. Wuerch	reiterated that PPP is a new financing mechanism with success throughout the nation. He pointed out that later in the legislative session, there will be discussion regarding that opportunity.
1:53:20 PM	Co-Chair Meyer	Admitted the proposed need for the Anchorage community; however, noted on Page 13, the amount of nearly \$300 million dollars intended to be funded by the State.
1:54:24 PM	Mr. Wuerch	Responded that initially there was an expectation that the project would be divided into thirds. One third, federal earmarks (which has been deleted), one third, State general funds and the final third raised by debt revenue bonds. The one third intended to be federal is currently half that amount. He thought that the one-third revenue bonds would not be problematic and that the other portions need to be discussed and offered to work on a combination of private and public financing.
1:55:23 PM	Co-Chair Meyer	Inquired if further federal funding was expected.
1:55:35 PM	Mr. Wuerch	Responded that it is a complex issue. The Federal Highway Commission (FHC) has not yet released their allocation notice. The railroad specifics have not been identified and it has not been determined how the federal money will be spent.
1:56:01 PM	Co-Chair Meyer	Asked if the State would ultimately be responsible.
1:56:14 PM	WILLIAM GREEN, PROJECT COUNSEL, KNIK ARM BRIDGE AND TOLL AUTHORITY, ANCHORAGE	Explained that the State would have no liability for the revenue bond debt issued by the Toll Authority. The preliminary analysis has been provided. The market will not lend the money unless they are convinced that there is a good financial plan and the costs are realistic. The traffic that is expected to be generated across the bridge will match the debt load. The Authority can finance the \$200 million dollars based upon current known projections. He stated that was a conservative number. He reiterated that there would be no State liability for the debt reimbursement and that the project

		would be self-liquidating.
1:58:21 PM	Co-Chair Meyer	Requested more information on the bridge design and seismic activity. Mr. Green requested that the Department address that concern.
1:58:48 PM	Representative Hawker	Asked if the design process included any major rail crossing. He spoke to the complications for the railroad through northern Anchorage and the Valley.
1:59:22 PM	Mr. Wuerch	Replied that it had been considered and discussed with the Alaska Railroad. The issue is that railroad bridges are designed for a much heavier load than highway bridges and therefore much more expensive to build. There has been a proposal to build a highway bridge and built it to railroad specifications. An EIS project could take several years. Any large water body in the Nation has two bridges side by side; one for cars and one for the rails.
2:00:39 PM	Representative Hawker	Addressed tolls, suggesting that the traffic will choose the route without the toll. He questioned if the Alaska public would support a toll system.
2:01:37 PM	Mr. Wuerch	Agreed, noting that people are used to free use of the transportation structure. Nevertheless, pointed out that the Golden Gate bridge was a good example. He suggested that the situation was similar because of the distance that would have to be driven without use of the bridge. He referenced Page 3 with the transportation numbers. He pointed out that using the proposed bridge, which becomes a function of time for commuters, could save 40 miles. The cost of driving a car is far more than the cost of filling the tank. The alternatives are more expensive.
2:03:58 PM	Mr. Wuerch	Continued, the second important indicator as listed on Page 3 and provided by the Dip man Resource Company survey poll indicates the number of commuters who actually intend to use the bridge. There was an overwhelming the consumer support.
2:05:22 PM	Representative Hawker	Mentioned the price sensitivity issue.
2:05:38 PM	Mr. Wuerch	responded that the numbers on the poll ran from \$1 dollar to \$6 dollars. He

		commented on doubling price, admitting the 'trade off'. When prices change, people tend to use the alternative briefly. It has been recommended that the price should be established and then not changed for quite sometime.
2:06:35 PM	Representative Hawker	Questioned the assurance of the \$600 million dollar proposed number and asked assurance that amount would not change and if it does include road improvements.
2:07:07 PM	Mr. Wuerch	Stated that it would connect the facility to existing roads. The map on Page 5 indicates where the road would run. By 2021, the existing couplet would reach saturation.
2:08:09 PM	Representative Hawker	Asked where the improvements would be to.
2:08:21 PM	Mr. Wuerch	Said it was not intended to 'touch' the Berger Road at all.
2:08:29 PM	Representative Hawker	Commented that there would need to be a substantial investment to upgrade those roads.
2:08:46 PM	Mr. Wuerch	Agreed, as the traffic increases. That does not happen right away. The current two-lane road will be adequate for a number of years. He was speaking about the connecting road from Goose Bay to Fort MacKenzie.
2:09:34 PM	Representative Hawker	Inquired if the \$6 million dollar number was "solid" for the proposed term of the project from 2006 to 2009.
2:09:49 PM	Mr. Wuerch	Stated that number was safe. The bridge structure itself and behind the Port of Anchorage, the box tunnel under Government Hill, each include construction, design and contingency costs and about 20%. Those numbers total about \$535 million dollars in 2005 numbers and then adds escalation and inflation costs. That brings the number up to about \$592 million dollars. However, he could not guarantee the number but believed it was "good".
2:11:36 PM	Vice Chair Stoltze	Commented on the Railroad options and how that would affect eminent domain concerns and the costs associated with the over pass. He inquired if there had been conversations with Mr. Gambell of the Alaska Railroad.
2:12:59 PM	Mr. Wuerch	Noted that Representative Stoltze served on the Toll Board. He pointed

		out that the Board meets regularly to address railroad concerns. The ability to use the proposed alignment along the shoreline is adaptable to railroad use. He noted that a corridor further west had been identified. He referenced figure 2 on Page 10, and laying of the gravel for the highway and the railroad.
2:15:21 PM	Vice Chair Stoltze	Inquired if the project would compete with other things affecting the gas line. He thought that anything done for the Port of Anchorage could help the gas line.
2:16:19 PM	Mr. Wuerch	Commented that the first stage would be the creation of a paved road from Port MacKenzie up to the Parks Highway. He recommended that the road needed to paved as soon as possible. In the long run, other improvements and the bridge completed, truckers would not hesitate to use the direct egress from Anchorage.
2:17:33 PM	REPRESENTATIVE NORMAN ROKEBERG	Inquired about the Government Hill area and the proposed underground tunnel. He asked if those residents had voiced objection.
2:18:31 PM	Mr. Wuerch	Admitted that there are issues in those neighborhoods. He hoped that working together would prove beneficial for that population group and looked forward to reaching a solution. He thought that committing to a second phase would be widely supported. He did not want to diminish the emotional issues affecting those areas.
2:20:17 PM	Representative Rokeberg	Asked the costs to the Government Hill area.
2:20:38 PM	Mr. Wuerch	Commented on not building the tunnel. It would reduce the costs by perhaps \$70 million dollars. He did not know for sure.
2:21:08 PM	Mr. Wuerch	Responded to Representative Rokeberg regarding the second viaduct, which has not yet been designed. He asked that the Department address that question. There exists a commuter destination issue within the downtown traffic.
2:22:57 PM	Representative Hawker	Asked if the Toll Authority anticipated a financial audit.
2:23:27 PM	Mr. Wuerch	Acknowledged that they do. He pointed out on Page 12, the Department's standard audit would apply.

2:24:03 PM	Co-Chair Meyer	Brought up the possibility of earthquakes while crossing the bridge.
2:24:29 PM	Mr. Wuerch	Responded that working with the Department, they were able to address seismic concerns. He believed that the final design would be a "doable solution" to the problem.
		GRAVINA ISLAND BRIDGE PROJECT
2:25:47 PM	J.C. Conley, Former Ketchikan Assembly	Spoke of his excitement for the Gravina Island Project and related the history of the State project, which was requested from Congressman Don Young. He explained the denial of the use of surrounding federal lands for logging purposes. He described the bridge project as part of the revitalization of Ketchikan. Mr. Conley referred to the national media challenge.
2:32:29 PM	Mr. Conley	Emphasized that the bridge would revitalize the economy in Ketchikan.
2:33:12 PM	REPRESENTATIVE JIM ELKINS	Thanked Mr. Conley for coming.
2:34:03 PM	Representative Kelly	Asked about possible problems getting the ships through the channel. Mr. Conley identified the low bridge/high bridge solution to the problem, the preferred alternative.
2:35:56 PM	BOB WEINSTEIN, MAYOR, CITY OF KETCHIKAN TESTIFIED VIA TELECONFERENCE	Referred to a letter he sent to the governor and legislators, which is part of the members' packets. (Copy on File). He shared the vision for economic growth for Ketchikan. He described the challenges Ketchikan faces in community development due to its location and that Gravina Island would be the best choice for further growth for that community. He spoke of the closure of the pulp mill in 1997, decline of the timber business, and the need for land for industrial development.
2:41:04 PM	Mayor Weinstein	Spoke of a funding allocation for the project and Congress' intent for the funds. 1. Bridge project will come out of National Highway Funds. 2. State allocation has increased 3. The Gravina project is competing against other highway projects Mayor Weinstein voiced concerns by the methodology presently used by the Department. They have made a

		determination that 48% of a total appropriation is set aside for other highway projects. He questioned the amount of money available for the bridge projects but did question DOT's figures and methodology.
2:45:04 PM	Mayor Weinstein	Mentioned requests needed from the Department of Transportation for this project to proceed. Urged the Committee to begin the process to invest money into transportation projects. He spoke to negative national media coverage of the project.
2:47:24 PM	Vice Chair Stoltze	Inquired if the funding proposal for the Gravina Bridge could be similar to that of the Knik Arm Bridge proposal.
2:48:15 PM	Mayor Weinstein	Agreed that would be reasonable.
2:48:38 PM	Representative Elkins	Commented that it would affect the STIP (Statewide Transportation Improvement Program). He recommended adding in the support of Ketchikan. Co-Chair Meyer recommended that the Department take that into consideration.
2:49:12 PM	Representative Rokeberg	Asked if there had been misinformation regarding the amount of available land for future development. Mayor Weinstein stated that the population of Ketchikan is 15,000; when the airport was built, the population was approximately 9,000. There has been substantial growth since the '70's. The Borough has an excess of some 4,000 acres on Gravina Island with private holdings. Development plans have identified thousands of additional acres.
2:51:07 PM	Vice Chair Stoltze	Questioned the funding and Ketchikan's willingness to look at the justification for those numbers.
2:52:06 PM	Mayor Weinstein	Related that a toll for bridge use could be considered but that it would not represent a significant amount.
2:53:20 PM	MALCOLM MENZIES, SOUTHEAST REGIONAL DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES	Explained that the project has been around since 1970, with various studies since then. He related the history of several of those studies. The EIS process ended in 2004. Three final alternatives were made and F-1 was the preferred alternative. [Shown on screen presentation]. Within the preferred alternative, there

		were two major bridges; one 2500 feet and one 3400 feet in length. Most of the design estimates were based on the decision to earmark for the total project. Portions of the project have begun, such as Ridge Road. The airport runway expansion will take place later this year. A conduit will be constructed under that runway for two lanes of traffic. A corps of engineer permit is expected this month after January 15 th .
2:57:43 PM	Mr. Menzies	Explained the three alternatives [shown on presentation slide]. D-1, F-1, and F-3. He related the costs and projected dates of the project.
2:59:28 PM	Representative Holms	Inquired about the possibility of a drawbridge. Mr. Menzies related that would have traffic and cost problems. He clarified that none of the bridges currently are at grade and that a 200' clearance for the cruise ships would be needed which would be very costly.
3:01:21 PM	Co-Chair Chenault	Asked if both of the bridges were high spanned. Mr. Menzies responded that one bridge would have a span of only 60' and the other 200'. The high bridge would be the west channel, closer to the airport. There is marine traffic on both channels.
3:02:52 PM	Representative Kelly	Addressed the shorter span and asked if it would create an air-traffic problem.
3:04:04 PM	Mr. Menzies	Agreed it would.
3:04:32 PM	Co-Chair Meyer	Asked about the current progress. He asked if the \$94 million dollar amount would allow continued progress.
3:05:05 PM	Mr. Menzies	Stated that there has been discussion regarding how many bridges that should be built at one time. The Southeast Region has considered waiting until all the money is received because if bridge construction was started and the monies were not received, it would be quite problematic. The road currently under construction, comes from the Governor's resource money.
3:06:03 PM	Representative Stoltze	Asked if there would be operational costs and if the ferry would shut down.
3:06:16 PM	Mr. Menzies	Replied that it would stop eventually. The overall construction period will take approximately 5 years and during that time, the ferry will continue.
3:06:38 PM	Representative	Commented on national feedback from the

	Stoltze	Democratic Party.
3:07:06 PM	Representative Kelly	Asked about the Knick Island stretch. Mr. Menzies clarified that there are almost 800 acres of borough land on that island.
3:07:44 PM	Representative Kelly	Asked the number of residents.
3:07:55 PM	Representative Elkins	Did not know the exact number but knew it was "only a hand full".
		DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
3:08:31 PM	JEFF OTTESEN, DIRECTOR, DIVISION OF PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES	Provided handouts associated with the power point presentation - "Primer on the Federal Highway Program for Alaska". (Copy on File).
3:09:04 PM	Mr. Ottesen	Referenced Page 2. The three key issues to be addressed are how the bridge would be funded. He offered to speak directly to the STIP.
3:10:16 PM	Mr. Ottesen	Explained the bridge math - Page 2, explaining the \$91 million dollars and the \$93.6 million dollar allocation. Congress did not do away with the earmarks but instead renamed them. He explained the distribution of federal aid transportation formula funds. The regulations express that the unrestricted money has eligibility restrictions and are divided into a pie, with 48% to highway funding. The Governor advised that the bridges would belong to the National Highway system.
3:12:06 PM	Mr. Ottesen	Referenced the top chart on Page 3. The STIP money to communities is not reduced.
3:12:59 PM	Mr. Ottesen	All the money indicated those programs would be made larger than they were in the STIP.
3:13:53 PM	Mr. Ottesen	Each project received a certain amount of federal earmarked dollars. He noted the reductions of 15% to account for the fact that federal funds are authorized at one level and general appropriated at a lower level. There are five years of funding providing information indicating that the funding promised comes in at 85%. The two bridges are not being treated

		separately.
3:15:03 PM	Mr. Ottesen	Noted Page 4 - The mission statement: <ul style="list-style-type: none"> • Providing for the movement of people and goods and the delivery of state services. • All roads are not equal in that regard.
3:15:25 PM	Mr. Ottesen	Addressed the colored chart on Page 4 and the functional classification of the roads. The Department owns most of the roads.
3:16:33 PM	Mr. Ottesen	Spoke to where federal funds applied to the road systems throughout the State and did not come from the Title 23 funds. Only Alaska has an eligibility issue for federal funding. The roads at the top of the pyramid in the graph receive less federal funded.
3:17:39 PM	Mr. Ottesen	Referenced Page 5 - Which highlights where the majority of the traffic carried by the roads will move. He pointed out the 86% of accident that occur on 30% of the road system.
3:18:58 PM	Mr. Ottesen	Highlighted the eligibility issues on Page 6. The impact is that the high-level roads are less well funded than they would be if national formula and eligibility were followed.
3:20:23 PM	Mr. Ottesen	Eligibility issues (3) - Page 7. Some earmarks have further shrunk funding for Alaska's highway program. Earmarks do not usually come fully funded.
3:21:28 PM	Mr. Ottesen	Page 7, Eligibility Issue (4). Operations and preventative maintenance have shifted to federal funds over the past two decades. Since late '80's, the budget pressure to preserve general fund has shifted considerable costs to the STIP. The impact is that many fewer rehabilitation, safety and capacity projects are possible.
3:22:19 PM	Mr. Ottesen	Referenced Page 8 - the maintenance and operations operating budget and Consumer Price Index (CPI) companion chart.
3:22:53 PM	Mr. Ottesen	Noted Page 8, noting that the dollars are limited. Some earmarks were much more extensive than just two bridges. Another \$269 million dollars in earmarks were non-deductible. The loss of STIP funds to bridge earmarks is only part of the picture.

3:23:57 PM	Mr. Ottesen	Commented on what was happening with funding. There have been more authorized dollars to the State than ever before. The total authorization over a 5-year period is about \$2.5 billion dollars. A lot of that money cannot be spent on the regular STIP. Some of the earmarks that the Department received are deductive. He referenced chart 17, Page 9, earmarks coming at the expense of formula funds.
3:25:44 PM	Mr. Ottesen	Outlined the types of earmarks that went to the two bridges. The authorized dollars are set aside for specific categories of work and have certain restrictions.
3:26:33 PM	Mr. Ottesen	Referred to page 10, chart one, which indicates that the dollars are limited. Approximately \$25 million dollars of annual funds previously flexible in nature were made restrictive.
3:27:32 PM	Mr. Ottesen	Explained that the Highway Trust Fund (HTF) has not been delivering cash as expected. The HTF is the principal source of Alaska Highway Funds. An apparent downturn is of concern.
3:28:56 PM	Mr. Ottesen	Referenced page 11, and stated that construction inflation has ramped up sharply. As project costs rise, the number of transportation projects the STIP can fund, drops.
3:29:42 PM	Mr. Ottesen	Pointed out that the process and new legal requirements for federal funds continue to expand. More is spent on intangibles or non-transportation work, and less on pavement.
3:30:26 PM	Mr. Ottesen	Showed on page 12 how STIP funds have been reduced. Stated that one significant project (~\$12 M) is lost each year.
3:31:28 PM	Mr. Ottesen	Pointed to page 13, which indicates that project funds are lower today. He recognized the needs list of statewide projects.
3:33:52 PM	Mr. Ottesen	Referenced chart #26, which shows that STIP funding is not adequate.
3:34:02 PM	Mr. Ottesen	Highlighted page 14, which portrays the years needed to perform the work on the entire mileage of each system.
3:34:43 PM	Mr. Ottesen	Compared Alaska to other states' approach to highway construction, where there is a dedicated tax system for those concerns.

3:37:16 PM	Mr. Ottesen	On page 15, indicated that the STIP shortfall to regular projects stems from many causes. He listed those reasons in lost project funding.
3:38:03 PM	Mr. Ottesen	Highlighted the one-year hypothetical number of \$12 million dollar projects delayed.
3:39:13 PM	Mr. Ottesen	Referenced page 16: Key Takeaways. Alaska relies on STIP funds for a larger universe of projects than any other state. STIP funds have effectively shrunk as a result of several factors beyond two bridges. The state has no supplemental fund source for the highway program, which magnifies the current downturn in STIP funds. He termed it a "fifty-state problem".
3:40:30 PM	Mr. Ottesen	Offered to provide a report on this topic from the U.S. Chamber of Commerce published last November.
3:40:54 PM	Co-Chair Meyer	Asked if the Department of Transportation would support a road bond.
3:41:12 PM	MICHAEL BARTON, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES	Responded that the idea of raising the gas tax is not popular. Alaska now has the lowest gas tax at 8 cents per gallon. A higher tax could be a source of money to meet the transportation concerns of the State. He urged that it be addressed.
3:42:14 PM	Commissioner Barton	Added that the state should not lose sight of the fact that it will receive \$2.5 billion from the federal government in the next five years for transportation in Alaska.
3:43:28 PM	Co-Chair Meyer	He added that local governments, including Anchorage, do contribute to transportation.
3:43:49 PM	Representative Hawker	Commented on the allocation concerns. He asked if the disposable allocation is determined by state or federal legislation.
3:45:03 PM	Mr. Ottesen	Responded that it was primarily determined in state by a formula set in regulation and adopted as policy in 1995, became codified in 2002, and was amended in 2003. Underneath that allocation is federal funding and some rules apply to those funds. He listed those funds: National Highway System (NHS), Interstate Maintenance, and Surface Transportation Program (STP).

3:46:23 PM	Mr. Ottesen	Explained why there is a larger amount going to local governments.
3:46:36 PM	Representative Hawker	Asked if there was a flexibility of sending nothing to the communities. Mr. Ottesen explained the system of distribution.
3:47:12 PM	Mr. Ottesen	Replied that the need is there.
3:47:27 PM	Representative Rokeberg	In response to a question by Representative Rokeberg, Mr. Ottesen replied that the 27 percent is state developed funding for Anchorage. He explained the funding in detail based on population, and the yield under federal law. He explained DOT's obligation and the NPO footprint. He discussed accident scenarios.
3:51:09 PM	Commissioner Barton	Explained that the money produced by the formula for the two NPO's is not all of the transportation money that gets spent within the NPO boundaries. Representative Rokeberg continued to question the various categories. Mr. Ottesen clarified the four categories and explained how they apply.
3:52:42 PM	Representative Rokeberg	Asked about slide 24 and the expenses incurred by the open container and repeat offender laws. Mr. Ottesen responded with details about the drunk driving laws. Representative Rokeberg requested a current report on Anchorage projects, as compared to a few months ago, in order to explain them to his constituents.
3:56:12 PM	Commissioner Barton	Addressed the changes in the STIP compared to several months ago. There are increases in several local programs, but no changes in the NHS. Representative Rokeberg asked about alternative impacts if the funds were allocated elsewhere. Commissioner Barton discussed NHS concerns.
3:58:28 PM	Co-Chair Meyer	Gave a concrete example of money lost for highways in Anchorage. Mr. Ottesen related that those highways were on the NHS, which has not grown. There will be an increase to the NPO as a result of the bridge money coming back to the state.
3:59:25 PM	Representative Hawker	Asked if NHS funding is increasing. Mr. Ottesen noted a direct reduction in funding going to the NHS. The funding target for the NHS, aside from the two bridges, is about \$60 million or about

		40 to 50 percent of past targets in the prior bill. Representative Hawker speculated that \$120 million had left the program. Mr. Ottesen explained the reality of where the dollars are. Representative Hawker noted he was looking for the aggregate number. He spoke of communities' possible unrealistic expectations and the need now for an explanation. He asked for an explanation for the aggregate changes related to District 32 and Anchorage.
4:04:56 PM	Commissioner Barton	Offered to work with Representative Hawker to provide more information.
4:05:45 PM	Representative Hawker	Asked about the earmark structure and whether change is an option. He referred to the original additive earmarks for bridge construction. Commissioner Barton replied that they are no longer earmarked for bridge projects and change is not an option. Representative Hawker suggested that \$179 million was taken away for other programs. Commissioner Barton agreed.
4:08:33 PM	Mr. Ottesen	Clarified that all of the bridge earmarks were run through the STIP formula and distributed to local governments. Representative Hawker asked about the \$50 million additive for Anchorage. Mr. Ottesen explained how that was processed. Representative Hawker suggested that the money was diluted. He asked where the money came from for the subtractive earmark. Mr. Ottesen explained that it came at the expense of what would have otherwise been formula money. \$600 million was deductive earmarks. Representative Hawker requested more information about those specific projects. Mr. Ottesen explained the old formula, the installment plan, and the reality of what happened. He compared it to losing 1/3 of one's salary.
4:12:36 PM	Representative Hawker	Noted it is a judgment call. The draft STIP is \$122 million less now. He asked for DOT's intent and how the legislature's concerns will be incorporated.
4:14:11 PM	Commissioner Barton	Replied that the STIP needs to be finalized and will be done in a couple of weeks. The STIP will be amended as

		needed if the legislature requires it.
4:15:56 PM	Co-Chair Meyer	Noted that the governor's bridge proposal would be part of the STIP now, and in the future. Commissioner Barton agreed and pointed out that the governor is aware of the dilemma and has it under consideration.
4:17:03 PM	Co-Chair Meyer	Asked to see information about what roads would not be addressed. Representative Hawker concurred.
4:17:20 PM	Commissioner Barton	Thought that would not be an easy question to answer.
4:17:41 PM	Representative Rokeberg	Voiced concern about policy issues regarding further requests to complete the projects. He used the Seward Highway accident rate as an example of an important priority.
4:19:14 PM	Commissioner Barton	Acknowledged the safety issue on the Seward Highway, pointing out that fatalities in Alaska were down the past year. He spoke to the need to continue to address safety on highways.
4:19:57 PM	Representative Rokeberg	Commented on the Ketchikan Bridge and the possible need for a further request.
4:20:13 PM	Commissioner Barton	Said the financial methods are still being worked on.
4:20:44 PM	Representative Hawker	Observed that the state of Alaska has no recurring sustainable local contribution to highway funding. He commented on motor fuel taxes. Public polling has indicated that motor fuel taxes are the single most despised form of taxation in the State. He acknowledged that the legislature is "between a rock and a hard place" with that information and is looking for sustainable funding statewide. He supported putting those ideas before the public.
4:23:04 PM	Co-Chair Meyer	Agreed. He pointed out that the Governor has been "lukewarm" toward those ideas.
4:23:33 PM	Representative Moses	Agreed with the commissioner on the motor fuel tax. He said it is based on 8 cents per gallon, which is too low - the lowest in the nation in a state with the greatest mass of land. He noted that he encouraged an increase in the marine fuel tax a few years ago. That tax should also be increased, as it is a user fee.

4:25:55 PM	Representative Moses	Added that it would be a great investment for the future of Alaska. He noted his own proposed legislation.
4:26:39 PM	Co-Chair Meyer	Commented that gas is currently \$2.50 per gallon and it is difficult to add more taxes.
4:27:21 PM	Representative Kelly	Requested cost breakouts as asked for previously at the meeting by the committee members.
4:30:26 PM	Co-Chair Meyer	Acknowledged that lists are needed from DOT indicating surplus and general fund dollars.
4:31:10 PM	Commissioner Barton	Replied that DOT will provide that information.
4:31:23 PM	Co-Chair Meyer	<u>ADJOURNMENT</u> The meeting was adjourned at 4:29 P.M.

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