

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 17, 2008

1:34 p.m.

MEMBERS PRESENT

Representative Kyle Johansen, Chair
Representative Mark Neuman, Vice Chair
Representative Anna Fairclough
Representative Craig Johnson
Representative Wes Keller
Representative Mike Doogan
Representative Woodie Salmon

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Andrea Doll

COMMITTEE CALENDAR

PRESENTATION: STATE TRANSPORTATION ISSUES BY COMMISSIONER von SCHEBEN

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to report

WITNESS REGISTER

LEO VON SCHEBEN, Commissioner
Department of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Presented an update of state transportation issues.

NANCY SLAGLE, Director
Division of Administrative Services
Department of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Answered questions.

FRANK RICHARDS, Deputy Commissioner
of Highways and Public Facilities
Department of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Answered questions.

ANDREW NIEMIEC, Executive Director
Knik Arm Bridge and Toll Authority (KABATA)
Anchorage, Alaska

POSITION STATEMENT: Answered questions.

ACTION NARRATIVE

CHAIR KYLE JOHANSEN called the House Transportation Standing Committee meeting to order at [1:34:04 PM](#). Representatives Johansen, Neuman, Fairclough, Doogan, Keller, Johnson and Salmon were present.

PRESENTATION: STATE TRANSPORTATION ISSUES BY COMMISSIONER VON SCHEBEN

[1:34:19 PM](#)

CHAIR JOHANSEN informed the committee he asked Commissioner Von Scheben to update members about what is going on at the Department of Transportation and Public Facilities (DOT&PF). He then said that next Tuesday's meeting will be about current issues facing the Alaska Marine Highway System. He planned to follow up on those issues later in the session. He also planned to begin an extensive discussion about the procedures used to develop the Statewide Transportation Improvement Projects (STIP) list next week. Chair Johansen asked that information from the departments be provided to the committee the day before the meeting so that members have sufficient time to review it and formulate questions.

[1:36:27 PM](#)

LEO VON SCHEBEN, Commissioner, Department of Transportation & Public Facilities, told members he has been the DOT&PF commissioner for a little under one year and thanked the committee for inviting him to speak. He introduced Frank Richards, Professional Engineer and Deputy Commissioner of Highways; Dennis Hardy, Professional Engineer and Deputy

Commissioner of the Alaska Marine Highway System; Nancy Slagle, Director of Administrative Services; and Mary Siroky, Liaison Officer.

[1:38:00 PM](#)

COMMISSIONER VON SCHEBEN provided the following presentation:

On December 11 of 2007 I put together about 14 of the DOT management and had a strategic planning meeting in Fairbanks and developed a mission vision and re-evaluated my business goals and came up with my business philosophy and goals for the department. I'd like to share those with you.

On page 1, the mission of the Department of Transportation and Public Facilities is to provide for safe movement of people and goods and delivery of state services. This business philosophy I've had over the years of private practice of over 40 some years. I believe in customer satisfaction and employee satisfaction, a quality product, manage the money and have some fun. I believe in those five principles and have brought those to the department.

When I first came on board a year ago, Senator Olson asked me do I have a vision for the department and I went, uh, no, I don't. Since then I have developed one and I'd like to share that with you. At that strategic planning [meeting] on December 11, we came up with a Department of Transportation and Public Facilities that plans, designs, constructs, operates and maintains quality, safe, efficient sustainable transportation and public facilities that meet the needs of Alaska's diverse population, geography and growing an economy. That's our vision. Now the goals - we came up with four goals at our December 11th meeting.

We're still working on that strategic plan. I still have to do some fine tuning of it but ... the four goals that came out of that meeting [were] improve the safety of transportation systems, develop a transportation system for economic development, increase efficiencies and become more transparent, and I'll go a little bit into each one of those and share some points with you. Those are the four goals that

I'm going to be using in our strategic planning in the next three years with the department during the Palin Administration.

1:40:03 PM

REPRESENTATIVE NEUMAN welcomed Commissioner Von Scheben and asked what procedures he plans to change to accomplish his goals.

COMMISSIONER VON SCHEBEN said he sees no need to change DOT&PF's mission statement; it does not differ much from the past but he does see a need to change the goals. His goals are measurable so he can be judged on accomplishing them during his three year tenure.

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CHAIR JOHANSEN said he thought DOT&PF has statutory missions and measures written by the legislature. He asked if the commissioner's goals differ from those missions and measures.

COMMISSIONER VON SCHEBEN said he is not aware of the statutory goals but he met with 14 staff to determine the new goals so he believes his staff is aware of the statutory missions and measures.

CHAIR JOHANSEN said he would like to see the two sets of goals. He told the commissioner that the committee would send him a list of the questions that are not answered today.

1:42:29 PM

REPRESENTATIVE SALMON asked whether the economic development goal pertains to economic development in communities or for DOT&PF.

COMMISSIONER VON SCHEBEN said the economic development goal is for the state in its entirety. He said his strategic plan will identify specific, measurable goals in that area.

REPRESENTATIVE NEUMAN asked the commissioner to include statewide projects that need infrastructure to be developed.

COMMISSIONER VON SCHEBEN agreed to do so.

REPRESENTATIVE NEUMAN noted a road in the Izembek [National Wildlife Refuge] connects to communities that need attention.

COMMISSIONER VON SCHEBEN said he supports road building and will be happy to do so. He continued his presentation, as follows:

On slide 2, I think what I'd just like to share with you is - and I'm not going to read all of these numbers, but in 2007, we put on the street under contract \$564.8 million worth of work, a significant injection of money into the economy: Central had \$220, Northern had \$147.7, Southeast had \$78.9, Aviation had \$176.8, Highways \$229.7, and Facilities \$139.6 and \$18.7 for Marine. That is what went out on '07. I think what's more interesting is what we're going to do in '08. We're going to put out there \$675.3 million divided up through Central, Northern Region and Southeast. You can see those numbers: \$398, \$130, and \$140. The Aviation community will get \$182.4, the Highway community will get \$343, Facilities, which is one I'm very interested in elevating and I'll share that with you later, \$102.5, and Marine will get \$47 million. That kind of gives you a spread of where we're putting our money out there.

[1:45:04 PM](#)

REPRESENTATIVE FAIRCLOUGH asked to see the 2006 breakdown. She noted the governor vetoed many items in the capital budget. She said it is her understanding that some of the architecture and engineering firms have less work going forward so she would like to see the trends of state investment before 2007.

COMMISSIONER VON SCHEBEN offered to provide that information. He remarked that he was part of the engineering community in 2006; there was no concern about a downturn at that time but he believes there is now because the federal highway fund is "starting to go south."

[1:46:33 PM](#)

REPRESENTATIVE FAIRCLOUGH concurred and thought the engineering industry may be experiencing some softening. She wants to determine whether that industry is prepared for federal funding decreases and how the legislature can help to address that.

COMMISSIONER VON SCHEBEN said he would like to spread that message to the architecture and engineering community to help them with future planning.

1:47:26 PM

REPRESENTATIVE DOOGAN noted the commissioner's project goals are listed by calendar year while legislative appropriations follow a fiscal year. He asked if calendar year 2008 refers to the second half of 2007 and the first half of 2008, and whether legislative appropriations have already been made that do not show up on the list because they are not in the calendar year 2009.

COMMISSIONER VON SCHEBEN deferred to Ms. Slagle.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation & Public Facilities, told members that federal funds can be appropriated in one year but not used until the next year so there is an ongoing overlap of the state and federal fiscal years and the calendar year. She said Representative Doogan is correct in that funds could have been appropriated that are not included in the chart for one reason or another. The most likely cause for their omission is the timing of those projects.

1:49:02 PM

REPRESENTATIVE DOOGAN said the legislature hears a lot about "lag" when discussing appropriations and that, on average, a dollar appropriated this session would not be on the street for three years. He asked when the projects in DOT&PF's current capital budget request will actually get started if that request is approved by the legislature.

MS. SLAGLE explained that with some appropriations the projects are started right away. The department typically presents to the legislature capital project requests that will receive federal funding in the next federal fiscal year, which begins October 1, based on the STIP and on the amount DOT&PF will get for the Airport Improvement Program (AIP). If the difference in fiscal years creates a lag, or if DOT&PF encounters issues, such as right-of-way or environmental issues that delay a project, a project would have to be shifted. She suggested that Jeff Ottesen address that scenario when he discusses the STIP with the committee.

CHAIR JOHANSEN remarked the committee will have plenty of time to go through those details.

[1:51:11 PM](#)

REPRESENTATIVE JOHNSON commented:

If we could break these numbers down into budget years that we deal with, I think we'll get a better apples-to-apples comparison and, in terms of when you get the money, I know it's anticipated it may or may not come when you think it is but if you anticipate spending it, I'd certainly like to do an apples-to-apples comparison and use what we've appropriated versus spent, etcetera, etcetera, and I don't think we can do this with a calendar year breakout that is this general but I think we could if it was the fiscal year.

COMMISSIONER VON SCHEBEN agreed to provide that information. He said the chart he provided should give members an idea of the amount of money out on the street now. He continued his presentation, as follows:

I'd like to talk about accomplishments. Safety is a big thing at DOT. The strategic highway safety plan is completed and approved.

We have two established traffic safety corridors and are [indisc.] on results. We anticipate three more traffic corridors being established in 2008. The safety corridor is one of those corridors that has a sign that has a little yellow marking above the top that would double fines. It really does seem to work. I drive one specifically out of Wasilla to Big Lake. I have seen a real change in the driving attitudes in that one stretch.

511 Program - I'll talk about that in a second here. It's going. The road weather information system is working. The intelligent transportation system for commercial vehicles, if you drive out of Anchorage you go past a little station, there's a little pole that goes over the top of the road with a little device on it. That measures the truck's weight, length, [and] certification if they're in the program, so the truck

doesn't have to stop at the weigh stations. It's a clear shot right up to Fairbanks or whatever so it's a new program. I was involved in the ribbon cutting ceremony of that just recently and it's active. If any of you are interested and want to look at it further, I'd be happy to give you a mini-tour. I think it's a really interesting part of technology.

Size-weight enforcement - this is a new program. We have roving patrols for a check for compliance. We just deployed them throughout the state for the first time ever. I believe they're working on compliance of the trucking industry to make sure that they're not overweight and they have all their certifications.

[1:54:20 PM](#)

COMMISSIONER VON SCHEBEN continued:

Safe routes to schools - as a program it's ongoing. We're going to make sure the kids get to school safely and it's federally funded.

Slick 2 ...

[1:54:41 PM](#)

CHAIR JOHANSEN asked, regarding the size-weight enforcement program, where the roving patrols are located, the effect of the program and whether state-owned vehicles are subjected to the same standard as private vehicles.

COMMISSIONER VON SCHEBEN said he would provide answers to those questions.

[1:55:41 PM](#)

REPRESENTATIVE NEUMAN noted he asked the Central Region director for information on the highway safety traffic corridors, particularly from Big Lake to Wasilla for statistics. He is aware that no deaths have occurred since that program was implemented and he would like to let people in the area know what that means. He said that highway is the most dangerous in the state; it has triple the number of fatalities and accidents than the Seward highway. He said the Knik Road is probably the third most dangerous highway in the state and asked what is being done to implement a highway safety zone there.

COMMISSIONER VON SCHEBEN replied:

... We have three other safety corridors we're looking at. One is the Knik-Goose Bay one. I believe we're very close to putting that on line. I'll have to check with Gordon but I think he said we might be doing it this summer. I'm not positive about that. Sterling Highway from Scout Lake to Kenai, we're looking at one there and we're looking at one on the Palmer-Wasilla Highway. What you don't want to do is have a bunch of these all over the place because then we're all driving the same and the idea is to identify a serious area and Knik is one so we want to take care of that.

1:57:36 PM

REPRESENTATIVE NEUMAN asked what changes occur when a highway safety zone is designated and whether the number of highway patrols is increased.

COMMISSIONER VON SCHEBEN said more state trooper visibility and double fine signs are used as deterrents.

1:58:18 PM

REPRESENTATIVE NEUMAN asked what DOT&PF is doing to ensure port security.

COMMISSIONER VON SCHEBEN deferred to Mr. Richards.

FRANK RICHARDS, Deputy Commissioner, of Highways and Public Facilities, Department of Transportation & Public Facilities, told the committee that security provisions for ports and cargo are administered by the Transportation Security Administration (TSA) in the federal Department of Homeland Security. DOT&PF works hand-in-hand with TSA on state-owned ports but DOT&PF does not have an enforcement arm.

1:59:21 PM

REPRESENTATIVE NEUMAN asked that DOT&PF report back to the committee on what it is doing to work hand-in-hand with the TSA.

COMMISSIONER VON SCHEBEN agreed to do so and continued his presentation:

Slick 4 - this is the state funded transportation program. Back in September, the previous deputy commissioner of highways and myself approached the governor with a ... need - for a state-funded transportation program. She took that under advisement and the governor just recently ... put a plan out there that you all have to approve - it's a state-funded transportation program. We see a real need for that. Basically, shrinking federal highway funds - the federal highway trust fund is going negative in 2009, we're going to be getting less federal money.

We can do projects faster with state money. I'd like to share a couple of points with you Using state funds to do projects, we did the Abbott Loop-Elmore Road extension, the design was in 2003 and construction was completed in 2007 - four years for a significant project using state funds. That's one of the biggest pluses that I see in a state funded program. The McCarthy Road major maintenance would have taken us three years using federal funds but it was done in a year. The Richardson Highway, 265 to 341, was done in two years, which it normally would have taken five years. There are some real advantages to using state funds to get projects done over the federal funds and we just are in a unique situation where our federal funds are going south on us.

I'll show you a slide in here regarding that exact issue.

CHAIR JOHANSEN noted that both of the [governor's] bills are in the House Transportation Standing Committee and will be reviewed.

[2:01:49 PM](#)

REPRESENTATIVE FAIRCLOUGH asked:

... Commissioner, in an effort to prioritize state spending money, have you developed criteria then for recommending a state project and usage of state funds versus federal funds so that on the larger projects where we know that there's going to be time

constraints and multiple funding? Do you understand my question?

COMMISSIONER VON SCHEBEN asked if she was referring to the new state-funded program.

REPRESENTATIVE FAIRCLOUGH said she was not but acknowledged that she supports a state-funded program. She continued:

I think that we need to invest in infrastructure and when we look to the bridge that collapsed in the Lower 48 and then looking at assessments across our state I think that there's a definite need and sagging infrastructure that needs an infusion of dollars. But we still have federal appropriations coming in and we have state [general fund] and we understand that there's going to be a temporary increase in revenues to the State of Alaska right now. What criteria are you using to base decisions on investing state money versus federal money? And I want to know if they're solidified so that we can count on that criteria when we see a state project in a request for state funds in that package.

COMMISSIONER VON SCHEBEN deferred to Deputy Commissioner Richards to answer.

MR. RICHARDS said DOT&PF has not yet developed selection criteria. He noted, as the commissioner mentioned, one of the greatest transportation state fund efficiencies is due to the fact that a project can be completed in a judicious timeframe. He continued:

So that if we see a very complicated project that has a lot of right-of-way, a lot of environmental issues, likely that would be the best use of federal dollars. When we see projects that are straightforward, easy to go out with and wouldn't require a tremendous amount of federal burden, state dollars would be best used. So we hope to develop that criteria over the timeframe from the time of appropriation until we actually get the funds appropriated to us.

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REPRESENTATIVE FAIRCLOUGH recalled the governor's proposal contains \$100 million in bonds. She said she understands the

challenges caused by the time lag, but asserted it would be helpful to legislators as they consider projects to know that it is investing state dollars wisely on projects that need to be completed quickly for safety or other reasons. In addition, the legislation does not want to reduce the traction it has had at a federal level to move larger projects in a paced way. She said it would be helpful to have criteria to use to determine which source of funding should be used for each project. She noted she will continue to ask for criteria as the committee reviews the governor's proposals.

CHAIR JOHANSEN agreed that some criteria should be developed.

[2:05:27 PM](#)

REPRESENTATIVE DOOGAN referred to a chart on page 4 and asked if the chart is based on the assumption that DOT&PF will receive \$500 million per year for two years, which is in the governor's proposal.

COMMISSIONER VON SCHEBEN said it is.

REPRESENTATIVE DOOGAN asked if [the transportation fund] would be receiving a 7 percent return in the year 2010.

COMMISSIONER VON SCHEBEN said it is set up to earn 5 percent, or \$50 million per year.

[2:06:16 PM](#)

COMMISSIONER VON SCHEBEN continued his presentation:

Some more of our efficiencies - there's a slide there of chip sealing and crack sealing. We're using new techniques to extend life of pavement. The slide on the right I have personal knowledge of. The [Indisc.] Nome State Office Building - I was up in Nome and visiting that facility. I have made a goal in my career here at DOT as to elevate the importance of public facilities. This building and that water you see there is not fresh water, that's salt water. Nome got two floods over the rip-rap wall there and that building is not in a good location. We have issues regarding code, heating, roof. We've been hit twice with salt water. So we're going to work on getting some of these public facilities that the state has and we have 700 of them - 700 buildings that are DOT's

buildings and a lot of them are 30, 40 years old so I'm going to be working on that.

The ports and harbors - we had \$5 million last year allocated to us. This year we're putting in for \$10 million - we're working on still turning over the harbor transfer program to the cities and the boroughs so that program is going well.

[2:07:46 PM](#)

Slide 6 - Ted Stevens International - some of the accomplishments at Ted Stevens - A and B concourse remodel. If you've been in the terminal lately it's going very well and it's \$200 million worth of work. I think it's one of the best kept secrets in Anchorage. That terminal building is really going to look sharp when it's all said and done. A and B concourse will look like C concourse. C is the one you go through all of the time right now with the elevators and the beautiful interior. Fairbanks, they're getting a whole new facelift there, not even a facelift. ... They're getting a whole new terminal in Fairbanks. It's going to look spiffy. I'm guessing about 75 percent complete so if you get a chance to visit Fairbanks, it's a very unique piece of architecture and quite a facility.

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COMMISSIONER VON SCHEBEN continued:

Alaska Marine Highways - we hauled more passengers and cars this year than last year, carried more vehicles and passengers this year. Marine Highways I'm sure we'll talk some more about.

The gas line preparation - I have hired a gentleman by the name of John Reeves, specifically hired to take care of gas line preparedness for the infrastructure. He is working out of Fairbanks and he is working with me; he reports to me directly. We have just completed a study for the entire state for the gas line infrastructure and what needs to be done to get it ready. I've also asked John to tell the consultant and be more specific on his study and work on the Dalton Highway. I think that's going to be a major

lifeline of the gas pipeline no matter what direction it goes. That study will be done within the next couple of months, so I'm real excited about that.

CHAIR JOHANSEN said the committee has heard testimony about the impact the gas pipeline construction will have on the road system. He asked whether the study will contain projections for expenditures that will be incurred and whether that will affect the state's overall transportation system.

2:10:17 PM

COMMISSIONER VON SCHEBEN related that a draft of the first study is finished and addresses what effects the gas pipeline will have on the state's infrastructure. The second study will be more specific to the Dalton Highway. He expects the Phase 2 study to be complete within a few months; he will share it with the committee.

CHAIR JOHANSEN acknowledged know how important the gas line is to the entire state, however he noted concern that it might delay or stop projects elsewhere in the state. He said he looks forward to getting that information.

2:11:55 PM

REPRESENTATIVE FAIRCLOUGH asked to see a copy of the study and asked:

I was wondering if there is also a timeline associated with those improvements to be on the ground for a gas line if we're looking at a licensee right now that has a faster paced moving project for licensing requirements whether we can actually - if the study will do us any good to point us in a direction.

COMMISSIONER VON SCHEBEN said he cannot pick a date for the pipeline, but he believes the Dalton Highway project is one that could be completed. He expressed concern that nothing happens for ten years because DOT&PF didn't know exactly when [the gas line] would begin. He noted a double advantage to completing work on the Dalton Highway: it would be beneficial to the traveling public and the gas pipeline. He remarked:

If I can get the Dalton Highway ready for the gas pipeline, I will at least get half of it ready, and then we'll probably be under somewhat of a quick pace

to do the rest once something is selected. So I am thinking just like you are. I'm just wondering how much do I have to get ready from [indisc.].

[2:13:48 PM](#)

REPRESENTATIVE FAIRCLOUGH responded:

Mr. Chairman, my timeline wasn't when the construction of the pipeline would be, but the timeline on the projects that are indicated for improvement in the study that's complete, and then that in comparison with the Dalton's priority inside of - I assume then the Dalton is inside the study for an improvement on the - and that's why you're asking for a second study.

COMMISSIONER VON SCHEBEN explained he asked for a second study because the first study was completed two years ago and he wanted more current numbers. He noted that he also wants Mr. Reeves to meld that information with DOT&PF's plan to bring it up to date, specifically regarding the Dalton Highway project. Commissioner Von Scheben mentioned urban congestion reduction and the "Connect Anchorage Initiative."

[2:14:42 PM](#)

COMMISSIONER VON SCHEBEN, in response to Representative Salmon, clarified that Phase 1 is a study of the entire state. Phase 2 is more specific to the Dalton Highway.

REPRESENTATIVE SALMON asked for a copy of the draft studies.

COMMISSIONER VON SCHEBEN said he will share a copy of the Phase 2 report when it is completed.

CHAIR JOHANSEN asked that all responses to requests for information from committee members be delivered to him and he will have them distributed to members.

[2:15:24 PM](#)

COMMISSIONER VON SCHEBEN returned to his presentation:

Okay. Knik to Anchorage, I would like to mention a little bit about that. ... Through the Knik Anchorage Initiative, the State of Alaska and Municipality of Anchorage have agreed to work cooperatively to seek

funding to reduce congestion by developing and constructing missing roadway links and the existing roadway system. Knik to Anchorage is kind of an east, west, north, south and it's going to help with congestion.

Working on rural airport leasing, making land available for economic development - examples - Seward airport relocating a power line to make four lots developable. Three of the new lots are generating revenue. We're doing those kinds of things at the airport areas.

Transparency ...

[2:16:55 PM](#)

COMMISSIONER VON SCHEBEN continued:

The transparency aspect - accomplishments recently and this wasn't my idea, by the way. At the Northern Region Transportation Forum Representative Jay Ramras came to me last fall and said - Frank introduced me to...Representative Ramras - and he said wouldn't it be nice if the DOT could come up to the north and give us a spiel on what DOT does. I thought that was an excellent idea. We had that forum. It was a one-day get together. We invited mayors, representatives, and Native leaders and we talked about what DOT does. I'm going to have one in Southcentral here this fall and then Southeast we're going to have one in '09. I strive very hard to communicate with the public. In fact, well I mentioned, I do a lot of public speaking and I don't want to go into a great deal there. I must average four speeches a month just getting out there talking to the communities.

Our STIP program is an open public process and it's ongoing. We're about to wrap up another STIP here. AIP, Airport Improvement Program, is an open public process. It's going well. I threw in this Elmore Road because I thought that was a unique project. It's a north-south connection that cuts two miles off a one-way trip from Hillside to East Anchorage. That's a very special project.

If you get a chance to drive that, it's a very unique project and, like I mentioned before, it's done in four years when it would have taken us many more than that through federal funding.

[2:18:41 PM](#)

COMMISSIONER VON SCHEBEN continued:

This slide here I think is - I want to kind of impress upon you on Slick 8 - this is our highway trust fund. It's our national slide here. This just shows that the federal highway trust fund is going south on us. We're going to be out of funds in 2009. ... We're going to be stressed for getting federal funds and this is another reason why the DOT is very supportive of a state-funded transportation program that the governor has submitted to the legislature. So, we get about 70 percent of our money from federal funding and not to say we're going to lose all of that money but we're going to be down some. In fact, Frank, you said somewhere around 20 or 30 percent?

DEPUTY COMMISSIONER RICHARDS responded affirmatively.

COMMISSIONER VON SCHEBEN continued:

We're estimating 20 or 30 percent down in federal funds in 2009, 2010, so ... we could take a significant hit and I don't know ... what the Congress is going to do. I can't believe they'll let that go negative, but it is a real challenge to us.

[2:19:48 PM](#)

CHAIR JOHANSEN asked how the governor's stated reluctance to accepting federal earmarks will impact the revenue flow to the state. He also asked how many federal earmarks DOT&PF requested this year.

COMMISSIONER VON SCHEBEN responded:

... Part of the reluctance in earmarks is a policy to use earmarks. Let me just give you an example. A certain area will go and get a million dollar earmark for a road job and that road is a \$10 million - I'm just giving you an example - so we are \$9 million shy.

What's basically happened a lot of times with earmarks is they are getting identified but they are not sufficient funds to finish the project so the earmark kind of sits there without proper planning or coordination with say the DOT. We can't get a project ... on its feet. For example, the Chignik one was a - I think they got an earmark for \$5 million and the project is \$35 million. We don't know where the \$30 million is going to come from. We don't have the money at this time. So, part of the problem with earmarks is not having enough funds to finish the project.

Now the second half of your question - Frank?

MR. RICHARDS told members that the federal earmarks for highway funds through SAFETEA-LU were deducted from the state's allocation of \$400 million. Therefore, DOT&PF did not have as much money as it anticipated spending on its normal formula projects. In previous legislation, like TEA 21, the earmarks were added to the state's base allocation and were therefore beneficial to the state. In trying to reduce the amount of earmarks being put forward to Congress, DOT&PF put forward four earmarks for FY 09.

[2:22:46 PM](#)

CHAIR JOHANSEN asked if in every instance all of the earmarks contained in SAFETEA-LU were deducted [from the state's allocation].

MS. SLAGLE clarified that Section 1702 contained the earmarks that were deducted. Other sections of the bill contained earmarks that were additive so the bill contained a combination.

[2:23:27 PM](#)

CHAIR JOHANSEN asked Ms. Slagle to provide the committee with a list of the additive earmarks.

MS. SLAGLE agreed to provide a list of the earmarks, sections and whether they were additive or deductive.

[2:24:04 PM](#)

REPRESENTATIVE NEUMAN said he was told by Central Region Director Gordon Keith that the federal funds available to the state are matching at about 10 to 1. He asked:

... So what roads do you look at ... when you say okay, you're looking at a road project, what type of matching funds can you get? Can you get four to one? Can you get ten to one on them and how does that come together? I'd like to understand that process and maybe what roads are incorporated in that a little bit further.

COMMISSIONER VON SCHEBEN said that question can best be answered by Jeff Ottesen when he testifies before the committee.

[2:25:02 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if the state can refuse earmarks and whether the governor has directed DOT&PF to refuse earmarks.

COMMISSIONER VON SCHEBEN said he recently sent a letter to Alaska's congressional delegation about 12 earmarked projects that have insufficient funds. He is trying to get the delegation's opinions on that process. He said some projects may not go forward because of technical problems or insufficient funds.

[2:26:05 PM](#)

REPRESENTATIVE FAIRCLOUGH said her question was whether the governor is in the position of telling the federal government that the state is refusing funds. She said she can understand refusing funds for projects that are not within the STIP and are deductive. However, if the project funds are additive and can be advanced in their totality or only require a small state match, she believes legislators in those areas would like to know that those funds are available. She furthered:

I guess I would think Alaskans would hate to see us turning away federal money. I understand being personally accountable. I understand process and how the whole package needs to come together for prioritization but I want to be very clear if the governor has given the direction to DOT to specifically not accept money.

MR. RICHARDS said he hoped he did not misrepresent the governor's intentions. He clarified that the future funds DOT&PF seeks for earmarks will be limited in number and the dollar amounts.

[2:27:33 PM](#)

REPRESENTATIVE FAIRCLOUGH commented that Chair Johansen said he heard the governor was refusing earmarks. She said she just wants a yes or no answer about the direction given by the Administration to DOT&PF.

COMMISSIONER VON SCHEBEN repeated that he wrote to the congressional delegation and identified up to 15 projects that cannot go forward, primarily because of insufficient funds. He prepared that letter in conjunction with the governor's Office but does not know whether the governor was involved.

[2:28:21 PM](#)

CHAIR JOHANSEN asked who signed the letter.

COMMISSIONER VON SCHEBEN said he signed it.

CHAIR JOHANSEN said the committee would like to see a copy of the letter.

[2:28:36 PM](#)

REPRESENTATIVE FAIRCLOUGH said she pressed the question because she does not believe the governor quantitatively said no to earmarks. She believes the Administration is trying to evaluate what is important for Alaska inside of a larger package. She stated:

So I don't want it on the record as being disparaging one way or another. I just want to understand ... what process we're using to ask the federal delegation to reprioritize our requests. I hope the money stays on the table, is my point, for Alaska.

[2:29:03 PM](#)

CHAIR JOHANSEN said he believes that is fair but he thought the governor's tone in her State of the State Address and in comments to the press is that Alaska needs to start paying its own way. He would prefer to see the actual documentation to

determine what is happening. He said he would also like to know what sort of flexibility the state has to transfer earmarked funds to another project.

MS. SLAGLE explained that similar to state appropriations, federal appropriations are limited based on their title. Therefore, if a community does not have funds to do something with the earmark, DOT&PF works with the community to find an alternative project, but DOT&PF has to take the new project to the congressional delegation. The delegation is trying to fix some of the project titles with technical corrections so that the communities can use the earmarked funds for other purposes.

[2:31:31 PM](#)

CHAIR JOHANSEN said when a press release from the governor's Office said the money for the Ketchikan bridge would be used for projects in other parts of the state, and hundreds of community officials had worked on getting that money for 30 years and a great deal of those funds were additive, many of his constituents were insulted.

[2:33:10 PM](#)

COMMISSIONER VON SCHEBEN continued his presentation:

Slick 9 - cost of doing business. It's been going up at 15 to 20 percent per year. The cost of steel has gone up. The cost of concrete has gone up. These are some of the challenges we face at DOT. Asphalt has increased 80 percent over the last 6 years. Excavation has increased 55 percent over the last 6 years. I know these statistics might run one right after another but basically what I'm telling you is the cost of doing business is going up and the cost of doing projects is going up so we're getting less bang for the buck, which also gives us a good indication that we should try and get as many projects as we can get done in the next few years or the cost is just going to be prohibitive - I can't say prohibitive. It's just going to keep going up and going to be more expensive to do business.

[2:34:17 PM](#)

REPRESENTATIVE FAIRCLOUGH said she wondered whether the legislature needs to change its requirement regarding DOT&PF's

procurement of the asphalt mix. She said she understands the legislature requires DOT&PF to use Alaska crude in the asphalt mix but the viscosity of the crude may be of lower quality than what is on the market elsewhere. She questioned whether the cost factor is starting to outweigh the benefits of using a local product.

MR. RICHARDS said DOT&PF's challenge is that the aggregates it uses are produced in Alaska and are relatively soft. DOT&PF has few sources of hard aggregates but tries to use those when projects are located near those sources. In many cases that requires trucking, train transport or barge transport many miles. DOT&PF is finding that hard aggregate imported and mixed in the asphalt provides a longer lasting surface. He explained:

We used that, I believe, on the Tudor Road project that we just completed in the fall of 2005. That was a test section where the eastbound lane, I believe, was hard aggregate. The westbound lane was the regular Mat-Su Valley gravel. We're waiting to see the results of that to see if that road system in that high traffic - the most highest traffic road in the state, holds up.

In regards to the asphalts themselves, we are using polymer additives to try and give us the flexibility and the strength that maybe the local viscosity of the Alaska Crude may not be providing us. So our materials engineers are very concerned and we're trying to come up with the best technologies that we have, utilizing those modifiers, those additives, that we can put into the mix to try and get us the best quality product rather than ultimately - or if we need to, go out and import oils into the state.

[2:38:02 PM](#)

REPRESENTATIVE FAIRCLOUGH said she would be interested to know whether a procurement procedure within DOT&PF is costing the department money. She also noted that soft cements are now being produced that have some flexibility in cold weather climates. She asked whether DOT&PF has looked at or tested any of those for use in cold weather climates.

MR. RICHARDS replied he is not aware of a more malleable concrete. Private contractors and the Army Corps of Engineers have used a certain concrete in freezing conditions that does

not need heat to set but it is still a rigid product. He said the procurement procedure depends on the mix design that comes out of DOT&PF's materials group and what is put in the bid. He offered to follow up with Representative Fairclough regarding the cost to Alaska producers and importers.

[2:39:20 PM](#)

REPRESENTATIVE FAIRCLOUGH said a follow-up is not necessary. She asked that DOT&PF notify the legislature if a procurement problem exists.

[2:39:34 PM](#)

CHAIR JOHANSEN noted the meeting will be transcribed and the questions sent to DOT&PF. He noted the committee wants to know what options DOT&PF is looking at to mitigate costs.

[2:39:57 PM](#)

REPRESENTATIVE JOHNSON noted the wide disparity between the cost of asphalt produced in Alaska and the accelerated price increase nationally and asked if that is caused by reasons other than the procurement procedure.

COMMISSIONER VON SCHEBEN related his understanding that the rapid increase is due to the rising costs of labor, oil and materials.

[2:40:50 PM](#)

REPRESENTATIVE JOHNSON asked if those costs for asphalt and concrete are increasing more in Alaska than elsewhere.

MR. RICHARDS said he would prefer to provide the committee with the facts behind the rising costs of those products in Alaska as compared to the national average at a later date.

[2:41:40 PM](#)

REPRESENTATIVE JOHNSON asked if the cost increase in the price of concrete is similar to that of asphalt or whether the problem is related to the procurement requirement for asphalt.

MR. RICHARDS said information from the Associated General Contractors shows that the cost of concrete is higher in Alaska, probably because the base materials have to be imported.

2:42:22 PM

REPRESENTATIVE JOHNSON said he would then expect the line [on the chart] for concrete to be more elevated than asphalt. He commented:

If we get an analysis and it shows that concrete isn't higher than the asphalt, then I see a problem that we need to get to the bottom to. If not, then it may just be the cost of doing business in Alaska. I think we're probably going to find that even though we import it, we bring it up, it's still not going to elevate to the level that the asphalt does so I see the same problem looming or somewhere out there there's a flashing light, whether it's red or yellow I don't know but there's a flashing light on the costs here and I'd like to find out the reason why. I think a good analysis would be something that we import 100 percent of in concrete, if it hasn't gone up more than asphalt, then I'd see that as being a red light as opposed to a yellow light.

2:43:29 PM

COMMISSIONER VON SCHEBEN offered to provide the committee with more information and continued his presentation:

Slide 10 - that really tells the tale regarding what the department has to go through regarding challenges. If you look back to the '60s backwards, we only had about nine regulations we used to deal with in 1960 and now when you look up in the 2000s, these are the regulations that DOT has to be confronted with. It's another 50 or 60 more regulations totaling probably almost 70 regulations compared to the old days when it was only 10 so it's pretty awe inspiring regarding what we have to go through.

Climate change - Slick 11.

2:44:39 PM

REPRESENTATIVE KELLER interrupted to say he would like to know if Alaska's oil product used in the manufacturing of asphalt is inferior to the imported oil product. He also asked:

Also, you talked about the softer aggregate. Now that's the gravel, right, that goes in? Okay, does that have to do with proportions? Does it have to do with the silt that's in our gravel? What's going on here? I'd like a little bit of education on that when you answer the question.

COMMISSIONER VON SCHEBEN said he would provide that information.

[2:45:18 PM](#)

REPRESENTATIVE NEUMAN asked:

... You know how I like to promote economic development within the state of Alaska and to support our Fairbanks friends. You know there's quite a bit of product up there that can be used in the creation of some [indisc.]. I'd like to know what you are doing to help support those folks and are we looking in state to use that?

COMMISSIONER VON SCHEBEN questioned whether Representative Neuman is asking whether Alaska can manufacture its own Portland cement.

REPRESENTATIVE NEUMAN said he is.

CHAIR JOHANSEN told the commissioner he can respond to that question when he responds to the others.

[2:45:50 PM](#)

REPRESENTATIVE DOOGAN said he would like to know whether DOT&PF still maintains any gravel roadways and the difference in the per lane mile cost versus pavement.

[2:46:11 PM](#)

COMMISSIONER VON SCHEBEN continued his presentation:

Climate change, I think you're all pretty much aware that things are changing out there. You can see by these slides the freezing and thawing. Frank Richards - he represents the department on the subcommittee. I wanted to share one event with you - a couple of events on intense rainfall, especially in southern Alaska it seems to be occurring more often, resulting

in flooding and washed out roads. As an example, we had two 100-year floods in the Kenai in 2002, costing us over \$10 million in repairs. Also, in the fall of 2006 the Richardson Highway was closed for a week due to severe flooding. A 100-year flood is supposed to happen once in 100 years. We [had] two of them happen within a month of each other so we are getting some unusual climate changes.

[2:47:10 PM](#)

Dust control - federal funding can be impacted if areas are designated as non-attainment areas. A non-attainment area, that's on Slide 12, a non-attainment area is dust that exceeds national air quality. States can be required to come up with plans to reduce that kind of particulate in the air so we're getting more and more dust issues regarding our villages...even in the Valley where I live there's dust areas.

That slide on the right is an airport. I don't know where the airport is. I know Frank could tell you where it is. That's a unique dust prohibitive type material. It's - if you look at the runway you can actually even see tire marks in the slide. This is [indisc.] about three or four years for dust control and it's some type of motion and chemical reaction with the soil that's already there and it keeps the dust down so ...

[2:48:12 PM](#)

CHAIR JOHANSEN noted the chair of the Bush Caucus has mentioned serious dust problems in rural Alaska, especially regarding honey buckets. He asked the commissioner to work on solutions with the Department of Environmental Conservation (DEC) and the Bush Caucus. He thought the conditions at the aforementioned airport might be applicable to the villages.

COMMISSIONER VON SCHEBEN agreed and said he thought DOT&PF requested \$600,000 for water trucks and other equipment in the capital budget.

[2:49:17 PM](#)

MR. RICHARDS clarified that DOT&PF made a capital budget request to specifically address the needs in the Northwest Arctic communities. DEC and EPA have done air quality monitoring in eight villages. The results showed [the dust particulate level] is above the national air quality standards. He explained:

We are hoping to work with DEC by utilizing simple techniques, which is just applying through a water tank and distributor truck and apply it to the roads and the airports in those communities, which appear to be some of the biggest contributors to the dust.

CHAIR JOHANSEN encouraged the commissioner to direct attention to that problem because it is a health problem for the communities.

[2:50:13 PM](#)

COMMISSIONER VON SCHEBEN continued his presentation, as follows:

Okay, I'm on my last slide on page 13. If you talk about challenges, the biggest challenge - one of the biggest challenges I have and I hope you can appreciate what I'm up against here, but we have 3,200 employees and between the next zero to five years a third of them can depart from the department and retire because of reaching retirement age. Our turnover in the DOT is around 30 percent. When I was in the private sector just a year or so ago, it was 15 to 17 percent. The average age of our employees is older; it's 46 years old and in private practice it's around 40. So I'm up against running out of staff and people are going to be retiring and [DOT&PF has] an aging staff so it's going to be a real issue. I have the potential of losing some real core competencies in the department if I can't find people to replace them. I call it the war for talent. It's hard to find people and when I was in private practice I actually had to go out of state for surveyors, engineers and architects. It's hard to find these people.

Anyway, with that I'm open to questions.

[2:51:26 PM](#)

CHAIR JOHANSEN commented that DOT&PF has already lost some very valuable people and has had to hire new directors lately. He

asked what proactive measures DOT&PF is taking to improve recruitment, other than offering higher salaries.

COMMISSIONER VON SCHEBEN told members through Administrative Order 237, he is working with Annette Kreitzer and other commissioners to address hiring and retention problems. He said he has no quick answers. Some people are choosing to return to state employment and older employees could be rehired. Retaining employees of retirement age is another possibility. Right now, DOT&PF uses the Internet, head hunters, or word of mouth to find employees. He is working with the University and private sector on the same issues. This problem applies to the entire gamut of business. More people need to be trained in engineering, business, marketing, and in other fields.

[2:53:41 PM](#)

REPRESENTATIVE SALMON asked for a rural airport improvement project schedule for District 6 that shows the airports currently being worked on.

COMMISSIONER VON SCHEBEN agreed to provide a list.

[2:54:30 PM](#)

REPRESENTATIVE DOOGAN asked why the turnover rate in DOT&PF is twice what it is in the private sector.

COMMISSIONER VON SCHEBEN opined that it is primarily due to the fact that DOT&PF's aging workforce is retiring.

MS. SLAGLE agreed it is due to Baby Boomers retiring. She noted the commissioner requested that an employee survey be done to determine what drew employees to DOT&PF, what would keep them at DOT&PF and why they would leave. She said DOT&PF is doing quite a bit to attract people to transportation professions and is finding it has to attract people at an earlier age. This spring DOT&PF is having its first Construction Days fair in the [Mat-Su] Valley to reach out to high school students. Furthermore, DOT&PF provides internships, an engineering training program, and holds job fairs.

[2:56:56 PM](#)

CHAIR JOHANSEN asked if the employee survey addresses morale.

MS. SLAGLE said it does. It also asks questions, such as how do you feel about your supervisor, to get an idea about the general feeling of employees.

CHAIR JOHANSEN asked when the survey will be complete.

COMMISSIONER VON SCHEBEN said the survey would be distributed electronically in a month and he expects a quick response. He informed members the survey is very similar to one done at DEC. He added the McDowell Group is handling the survey.

[2:57:53 PM](#)

CHAIR JOHANSEN said the committee would be interested in seeing the results of the survey.

COMMISSIONER VON SCHEBEN agreed to provide the results. He then told Representative Doogan that the private sector is also looking for people. Salary and quality of life are also issues. Younger people want time off.

[2:59:04 PM](#)

REPRESENTATIVE DOOGAN said a 30 percent turnover rate is huge and asked if DOT&PF could have difficulty doing its job because it is losing important employees every year.

COMMISSIONER VON SCHEBEN said he has seen that happen repeatedly. It is a "threat," but it can be addressed.

REPRESENTATIVE DOOGAN said he appreciates the fact that DOT&PF is doing a survey to provide actual data.

COMMISSIONER VON SCHEBEN said a survey is a tool he would use in private practice to manage his business. He said he believes staff feedback is key to managing DOT&PF.

CHAIR JOHANSEN questioned the turnover rate at the legislature.

[3:01:05 PM](#)

REPRESENTATIVE JOHNSON asked whether DOT&PF requires new hires to be current employees of DOT&PF. He expressed concern that some departments are requiring employment for specific time periods at the department as a prerequisite for employment. He believes that is a big pitfall to recruitment.

COMMISSIONER VON SCHEBEN said he is working with Commissioner Kreitzer and Ms. Slagle regarding job qualifications. He agrees with Representative Johnson that some of the job requirements immediately eliminate qualified people and that managers should at least be able to review those resumes to determine whether those people are possible candidates. He acknowledged that some of the questions asked on Workplace Alaska eliminate a lot of people that might otherwise be qualified. Those questions have been removed but other problems remain.

REPRESENTATIVE JOHNSON encouraged the commissioner to continue to work on that problem. He then informed the commissioner that he does not plan to support any bond proposals. He questioned why the state would sell \$100 million worth of bonds when it will have a \$1 billion surplus. He said until he sees \$100 million being saved or getting a high return so that bonding makes sense, it will be difficult for him to argue the need to mortgage the state's future when it has the cash right now.

[3:04:25 PM](#)

CHAIR JOHANSEN reminded members that the governor's bills will be heard in committee.

COMMISSIONER VON SCHEBEN said the cost of bonding right now is low so investing the money elsewhere at a greater rate of return could be advantageous. He said a second aspect of the bonding request is that the governor is trying to hold capital expenditures to under \$375 million, so bonding would allow some infrastructure projects to move forward now.

REPRESENTATIVE JOHNSON said he hates budgeting by mirrors. He said the capital budget will not be under \$375 million if the state gets \$100 million elsewhere; in his mind, the \$100 million is part of the capital budget.

[3:06:08 PM](#)

REPRESENTATIVE NEUMAN commented, regarding managing people, the commissioner started one of the most successful engineering companies in the state and that requires good employee management. He said Knik Arm Bridge and Toll Authority (KABATA) is extremely important to his district and asked for an update on DOT&PF's involvement in that project.

COMMISSIONER VON SCHEBEN said he has a conflict of interest because his former company, USKH, has submitted a proposal on the project. He asked Mr. Richards to respond.

MR. RICHARDS recognized that Andrew Niemiec, Executive Director, KABATA was present. He told members that DOT&PF is one of two representatives of the state's executive branch on KABATA's board. Two legislators are also on the board. The organization's establishing legislation created KABATA as a separate entity that falls under DOT&PF's umbrella. He noted that DOT&PF is intimately involved with KABATA on the project and in identifying technical and coordination challenges, meaning the state's responsibilities to connecting road systems. DOT&PF has that linkage with KABATA and oversight duties as a board member.

[3:09:03 PM](#)

REPRESENTATIVE NEUMAN commented:

... This is a unique situation for Alaska where we have a private public partnership on a toll project. And again, with reduction of federal funds that are coming in, I think that maybe we need to look at projects like this a little bit more so I'm assuming that you support the use of public and private ... or checking into public-private?

MR. VON SCHEBEN said public private partnerships seem to be an industry trend. The State of Texas is actually selling assets to private industry. The viability of partnerships has to do with numbers regarding traffic flow and toll generations. The private sector must be reimbursed for its investment. Alaska does not have the volume to generate that kind of income. He acknowledged that DOT&PF has not looked at other private public partnerships for projects at this time.

[3:10:16 PM](#)

REPRESENTATIVE NEUMAN asked the commissioner if he believes the Knik Arm Bridge can be built without private investment.

MR. RICHARDS pointed out the current financial plan calls for public money to be used as match funds to complete the bridge.

REPRESENTATIVE NEUMAN said he assumes private funds will be necessary.

MR. RICHARDS said that is correct.

[3:10:55 PM](#)

REPRESENTATIVE NEUMAN asked what DOT&PF's major concerns are with the bridge.

MR. RICHARDS said he is just now getting up to speed on KABATA as he has only been on the board for two weeks. He noted that Gordon Keith, Director, Central Region, has been sitting on the board and Mr. Keith's project manager has day-to-day linkage to KABATA.

[3:12:19 PM](#)

REPRESENTATIVE NEUMAN referred to competing investor proposals, and said a time issue is involved. He said the state can reject any proposals that are not in its best interests. He asked the deputy commissioner if he can speak to the competing proposals and the schedule date for releasing the request for proposals.

MR. RICHARDS said KABATA developed a tight schedule at the outset of the project. The final environmental impact statement has been provided by the federal highway agency. KABATA is awaiting the record decision. That can take 30 to 90 days. DOT&PF and Department of Law staffs are reviewing the technical and financial packages drawn up by KABATA for the RFP to determine potential obligations or liabilities to the state. When that review is complete, those staff members will converse with KABATA and the Administration to address those issues.

[3:14:02 PM](#)

REPRESENTATIVE NEUMAN asked about the timeline for the review.

MR. RICHARDS replied the legal team just received another amendment so it has to review fresh documents. DOT&PF hopes to have its review of the technical specifications complete in early February.

[3:14:22 PM](#)

REPRESENTATIVE NEUMAN stated:

It's just so critical because, you know, there's been an indication from KABATA that receiving those proposals from

the interested developers [is] key in determining the value of the project and so, again, it's something that's very important to me, so if you could maybe address that again in writing or get us a little bit more information. But that competition is important. I think competition makes all of these stronger and, again, this is something unique to Alaska where we've got a public and private partnership. We've got some competing proposals. I hope to see some movement from DOT or some assistance on that, if we can move forward on that or at least some answers to when this can be moved up.

MR. RICHARDS agreed that competition will be beneficial to the state and that two companies want to be part of the process.

[3:15:31 PM](#)

REPRESENTATIVE FAIRCLOUGH asked whether the KABATA record decision was handed down today.

MR. RICHARDS replied the record decision has not been decided to his knowledge. He understood the federal process would take a minimum of 30 days.

REPRESENTATIVE FAIRCLOUGH said her staff was told the record decision was coming today and the comment period would then open.

ANDREW NIEMIEC, Executive Director, Knik Arm Bridge and Toll Authority (KABATA), told members the final environmental impact statement submitted by KABATA was released by the Federal Highway Administration and will be in the federal register tomorrow. The record of decision will follow in a minimum of 30 days; however the decision is more likely to be made in 60 to 90 days.

[3:16:56 PM](#)

REPRESENTATIVE FAIRCLOUGH asked if the state has the authority to reject the proposal.

MR. RICHARDS asked for clarification.

REPRESENTATIVE FAIRCLOUGH replied:

I'm asking DOT whether we really do have authority versus KABATA, to reject a proposal. If KABATA itself, as an

entity, receives a bid or a financial arrangement, does the state, since the state is the parent company per se, have the authority to reject or is it KABATA and KABATA's board of directors that the power is vested in?

MR. RICHARDS explained the proposals will be submitted to KABATA. KABATA will determine the qualifications of the proposals and through internal and board consultations make a determination. So the state voices would be heard through the board consultation.

REPRESENTATIVE FAIRCLOUGH said she is trying to determine whether the legislature will have any say in the matter or whether it has vested all of its power in KABATA and its board of directors, even though the state is providing funds. She said a written response would be acceptable.

[3:19:11 PM](#)

REPRESENTATIVE NEUMAN clarified that his question was whether the state can reject an investor proposal if it is not in the best interest of the state.

MR. RICHARDS said he would best serve the committee by providing a written response after an in-depth analysis.

[3:19:34 PM](#)

REPRESENTATIVE FAIRCLOUGH asked about the state's risk associated with the continued payment of KABATA in its budget cycle. She also asked how long the state will carry that cost forward. She then asked if that cost will be repaid to the state when the investment goes forward into the private sector partnership.

REPRESENTATIVE FAIRCLOUGH further explained:

The state is floating a loan basically, saying a bridge is a viable source. And let's get on the record I support the Knik crossing. I believe that it opens an economic opportunity for housing and commercial development where Anchorage is somewhat landlocked now. So I support a bridge crossing but I believe that the state is on the hook and I just want to make sure that we are protected appropriately in the agreement forward and so we are part of a budgeting picture right now for KABATA in sustaining it so when we present the financial package to the market,

does that package include reimbursing Alaskans for that project or is it sort of as we go forward from here that the project takes over its costs?

MR. RICHARDS replied the executive branch is doing a risk analysis right now through its legal and technical review of the project. He deferred to Mr. Niemiec to discuss the financial package. He offered to provide Representative Fairclough with answers now or in writing.

REPRESENTATIVE FAIRCLOUGH said she would prefer the committee receive the answers in writing.

[3:21:52 PM](#)

CHAIR JOHANSEN said he would like to shift to the statewide long range transportation plan. He referred to the 2030 plan and asked:

Frankly I, and a lot of people around the state, hadn't really heard a whole lot about that plan going forward. So I'm wondering, first of all, briefly, what is it and what effect does it have on going through to get the STIP rewritten? Is it something that has to be done? Is that why it's - basically by the end of the week there's a deadline to cut off any comment on it. ... First of all, in the document it mentions - the collaborative process at the state level provides a framework for making publicly transparent decisions - also a robust open planning process through which regional and community plans are developed. This public process began just after Thanksgiving, I believe, and lasted through the Christmas and New Year's holidays and the deadline was, I believe, prior to the legislature even convening this year and we have had a 10 day extension, which I believe is up at the end of this week.

First of all, it is my understanding this is a plan out to 2030, which is quite a big plan for the future of transportation needs in Alaska. I'm wondering, timing wise, I'd sure like to have been able to spend quite a bit of time before the public comment period is closed with not only this committee but all 50 legislators having a chance to understand and go over it, you know, when I'm not wrapping presents for my

kids. It seems like the timing was unfortunate and I'm wondering why that process didn't start earlier to give - in the document itself I don't see three meetings over the holiday season as a robust open planning process and I'm just wondering is there any chance, whatsoever, of a further extension so that the legislature would have the time to discuss this? We haven't even gone through the plan. I would love to have it here before the comment period is closed and have all of us be able to read it and look at it and comment on it and talk about it. And what is its relationship to reopening the STIP, which allows the department to reprioritize and shift money before it's bounced back out of Federal Highways before the STIP is finalized. How is the whole process working there?

[3:25:28 PM](#)

COMMISSIONER VON SCHEBEN said DOT&PF held 15 public hearings beginning in July of 2007; one in Wasilla, five in Fairbanks, five in Anchorage, one in Skagway, two in Juneau, and one in Craig. He deferred to Mr. Ottesen to explain how it is tied to the STIP. He said he thought it would be awkward to extend the comment period further.

MR. RICHARDS informed members that DOT&PF is required by the federal government to put the 2030 report into play before it can do its STIP amendment. The federal requirements regarding the STIP changed under SAFETEA-LU. Those requirements make modifying the STIP more onerous. He explained:

If a project has any type of cost overrun, previously we were able to address it by working within the STIP in that particular category and utilizing funding for projects that may be slipping. This requires a full blown STIP amendment, which could be four to five months to make that amendment change. So for us to be able to get projects out on the street, it has tied our hands considerably in terms of using those federal dollars because of that requirement. So the linkage here is that the statewide transportation plan has got to be completed before we can then go with that major STIP amendment so that we can then have projects going out this summer and utilizing the federal fiscal dollars.

[3:27:54 PM](#)

CHAIR JOHANSEN asked when SAFETEA-LU was adopted.

MR. RICHARDS replied in 2003.

CHAIR JOHANSEN asked:

Why did we not start this a long time ago, if the rules were set in 2003. Now we're up against the wall on rewriting the STIP, why didn't we start a heck of a long time ago on this whole process? Were the meetings that you mentioned, the 15 different meetings, I mean how does that reflect back on the timelines that you're talking about? Did we start the clock late? Is that why we're bucked up against the tide and we're doing this over Christmas?

MR. RICHARDS explained that SAFETEA-LU was passed by Congress in 2003, but then the Federal Highway Administration was required to make regulation changes. The regulation changes take a couple of years and DOT&PF has to respond to those changes. He offered to identify the outreach meetings and transportation stakeholders' group meetings that were held around the state and the timelines.

[3:29:36 PM](#)

CHAIR JOHANSEN expressed concern about the process of public input into the plan. He stated:

You know it was passed in 2003. You say it takes three years for the amendments to trickle back and that puts you at 2006. Commissioner, when you took over DOT, were the ground rules set? Were the regulations in place? Were you guys ready to go on day one to start this process for the statewide transportation plan?

COMMISSIONER VON SCHEBEN said he would have to get back to the committee with the answers.

[3:30:19 PM](#)

CHAIR JOHANSEN expressed the following concern:

That's really my problem. We could have started Tuesday, the first day of session, and the deadline, I believe, is today or tomorrow. It just seems like

everything is being rushed right through to get that STIP pried open so you can reprioritize and shift money around, which is fine. But you know, when the document itself says a robust open planning process, you know, if your meeting takes place in Craig, Alaska, no offense to Craig but there [are] 2,000 people there. Once again, it sure would be nice for you guys to hit communities like Ketchikan. I know you said you went to Juneau. Did you see them up in your neck of the woods Representative Salmon?

REPRESENTATIVE SALMON said he did not.

[3:31:21 PM](#)

CHAIR JOHANSEN said the plan is a huge document that opens up the STIP, which is another huge document. He said he is extremely disappointed to hear the committee will get answers from Mr. Ottesen next week when the deadline is this week. He asked who authorized the 10-day extension.

COMMISSIONER VON SCHEBEN said he did.

CHAIR JOHANSEN asked the commissioner if he is authorized to offer another extension.

COMMISSIONER VON SCHEBEN said he would need to check with Mr. Ottesen.

[3:32:21 PM](#)

REPRESENTATIVE DOOGAN said he would appreciate learning the real relationship between the 2030 plan and the STIP. He stated:

That is to say, are we in the process of deciding for the next 22 years of Alaska's history every single transportation project that can get built or are we simply jumping through a federal hoop in the most flexible and expeditious way that we can arrange? Or, is it somewhere between those two things on the continuum because I'm with the Chairman. Basically, if by the end of this week we're going to close the door for everything that's not in this big document when then we go to the more specific arrangements as I understand it, that will be in the STIP and we do that in a way that I'm willing to bet that - what would you guess? Zero members of the legislature have looked at

- five members of the legislature have looked at? I don't know. But a relatively small number have looked at it. I think that's going to be a problem. So if you would just sort of let me know what it is this 2030 plan turns out to be in practice, I'd certainly appreciate it.

3:34:06 PM

CHAIR JOHANSEN said the question of whether this process is just a hoop to jump through that allows DOT&PF to open the STIP up or whether the plan is binding is a very important one.

COMMISSIONER VON SCHEBEN repeated he would provide an answer.

CHAIR JOHANSEN also expressed concern that the Alaska Marine Highway System is not mentioned as part of the national highway system in the 2030 plan, although the document talks about modernizing the national highway system. He said that could mean the communities served by the Alaska Marine Highway system are out of luck for 30 years. He repeated the level of understanding of the 2030 plan and how it affects the STIP is very low and he does not feel that is appropriate.

3:35:55 PM

REPRESENTATIVE NEUMAN echoed Chair Johansen's concerns and requested the commissioner do whatever he can to extend the public comment period again. He said constituents want to be involved in the plan and stated:

We each represent approximately 16,000 people and I think we'd like to make sure that the people we represent and the people who are watching us all right now as the legislature is just convening want to be involved in part of this. You know, when you look at some of these, and I'm going to go from an article, some other information that I've been trying to get, some information, you know. We talked about revenue flowing into Alaska and the piece of that from the federal government. You know, how is that going to affect the long range plan? We're talking about borrowing money so we can pay for projects because we can borrow money less than we can earn interest on it if we reinvest in other areas. The impact that is going to have on the construction of the natural gas pipeline - you know, I mean it's [indisc.] the

appropriate state of developing our resources in areas.

You know, we've got - there's mines, there's other things that, you know, where does this long range plan fit into that, particularly again in rural Alaska where they need economic development opportunities to do this and the development of that infrastructure that's been lagging for years? The evaluation of the state's transportation system - how are we going to meet the demands into the future? I think as a [House] Transportation Committee member, that's extremely important to me to realize that. You know the interplay of air and water and land transportation - how do they all mix together? These are or should be all part of your 30-year plan and what is the mix on how those come together so that we do have, as you state earlier, the maximum value of trying to get Alaska's resources developed and do it in an economical way.

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COMMISSIONER VON SCHEBEN asked Chair Johansen what he considers to be a reasonable extension.

CHAIR JOHANSEN said he would like DOT&PF to take the drop dead date required by the federal agency and back it out from there. He said the public needs every minute available to review the document.

COMMISSIONER VON SCHEBEN said he will figure out that date.

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CHAIR JOHANSEN said he understands the plan is based on 2006 revenue projections and asked how the latest revenue projections will affect it.

COMMISSIONER VON SCHEBEN deferred to Mr. Ottesen for the answer.

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REPRESENTATIVE FAIRCLOUGH said she agrees with Chair Johansen and committee members but can draw from personal experience in a similar process. She cautioned the committee that when advocating for an extended comment period, programs can get very

dysfunctional if professionals are not allowed to balance all needs and the process is politicized by advancing specific transportation needs in different ways. She said legislators need to be careful. She continued:

I am advocating because I know District 17 very well, projects inside of District 17, and depending how loud my voice carries and meets the rest of your voices, I may get more for my community than another community with not as much stroke inside of the system. I have less stroke than others because I'm a freshman and I understand that. So I just caution us as we look at the plan to make sure that people who have invested quite a bit of work and understanding a balance in different regions throughout our state, different venues for transportation, air, ferry, road system, that that has been taken into consideration with the Administration's proposal.

That said, I step back and acknowledge that I believe that we need that time for the public and going back to something we said earlier, and in what the governor has said too, which I doubt has been captured in a plan that has 10 days extension on it, is again that criteria on what we're making inside this recommendation for federal funding versus how we're going to allocate state dollars and the criteria we used to put these particular projects forward, because my experience is if you have a 20 year plan...our federal delegation will look and say oh, well, Unalakleet is asking for X, Y, or Z. Is it part of the state plan? They look and they say oh yea, it's here but it is 20 years out. So you know, I definitely hear that we need to make sure in the smaller communities that all the projects that need to qualify at some point for funding in the future are there but that's sort of my experience of what the document does.

Again, I don't know that we fold it in together with that, seeing that the governor has stated in her State of the State Address different criteria for Alaskans taking responsibility and wanting to move projects forward sooner. I support you in your request for additional information and just caution everyone. Hawaii actually had Anchorage come over to try to help them depoliticize their process and I have heard talk

through DOT and the Administration to somehow try and find that balance and I've heard a board being thrown around from different regions and, you know, taking some of the politics out of it.

So I just throw that out for however you'd like to digest it today. When you get policy makers in charge, we are using every ounce of energy we have to make sure our district gets its best share of the pie and I do that with a cautionary note saying that other people smarter than I am with engineering credentials [and] a better statewide perspective may see other projects that may need to go forward before I think they need to go forward.

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CHAIR JOHANSEN remarked that he somewhat agrees with Representative Fairclough but noted if the department is going to release reports and use words like "robust open planning," then those things need to happen and he does not believe they have.

REPRESENTATIVE FAIRCLOUGH said she completely supports Chair Johansen's analysis.

COMMISSIONER VON SCHEBEN thanked the committee for the opportunity to meet and said he hopes to get the minutes soon. He pledged to follow up on the committee's concerns and said he looks forward to working together in the future.

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CHAIR JOHANSEN said his staff would compile the questions in the next few days and distribute them to members for accuracy.

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:45 p.m.