

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 29, 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

**COMMITTEE CALENDAR**

PRESENTATION: 2030 PLAN

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to report

**WITNESS REGISTER**

JEFF OTTESEN, Director  
Division of Program Development  
Department of Transportation & Public Facilities  
Juneau, Alaska

**POSITION STATEMENT:** Discussed the 2030 Plan and answered questions.

**ACTION NARRATIVE**

**CHAIR KYLE JOHANSEN** called the House Transportation Standing Committee meeting to order at [1:34:21 PM](#). Present at the call to order were Representatives Neuman, Keller, Fairclough, Salmon, Doogan and Chair Johansen.

PRESENTATION: 2030 PLAN

1:35:01 PM

REPRESENTATIVE FAIRCLOUGH informed members that she received a letter from DOT&PF but has not yet had time to read it.

REPRESENTATIVE NEUMAN noted DOT&PF extended the public comment period on the 2030 Plan so that legislators and the public have more time to review it. He thanked Chair Johansen for intervening in that matter.

CHAIR JOHANSEN announced that Representative Johnson had joined the committee. He then thanked DOT&PF for being flexible in extending the public comment period for the 2030 Plan and said the commissioner assured him the extension will not be problematic to the STIP process. He welcomed Mr. Ottesen and asked him to continue his presentation.

1:36:08 PM

JEFF OTTESEN, Director, Division of Program Development, Department of Transportation & Public Facilities, told members his topic today would be the 2030 Plan. He said he would first answer a question raised last week about efficiencies DOT&PF is employing to address the increased cost of transportation projects. He stated:

The three things that I can point to is we, a couple of years ago, identified a software package that helps you optimize the route selection of a new route when you're working in through terrain and you have things like wetlands and historic properties and any of a dozen other considerations including cut fill, haul balances of cut fill, software developed by the Australian Roads Commission. They then took it commercial. It has since been sold to Trimble, which is a company here in the United States and is used in six continents to identify roads, including about seven or eight DOTs. We identified that software. I wish I could tell you that we bought it. We can't. It's actually sold on a per use basis by the mile so you rent the software per project per mile. We did negotiate, they claim - they the company, the only exception to their worldwide pricing policy, and we were able to tell them that our low volume roads deserved a lower price than say a four lane freeway in Texas. That's one example.

Another example is one we're actually demonstrating right now with [the Department of] Public Safety and the Anchorage Police Department is a camera that you can use to photograph a crime scene, and I'll get to engineering in a minute. In that photograph it allows you to do measurements after the fact, very accurate measurements so you can photograph the crime scene or the accident scene, take measurements, use them in court, do a lot of things that now are done by hand and accelerate the opening of a freeway or a highway after a fatal accident, which often can take hours to clear. It's a very expensive camera. It's over \$200,000 but its engineering application is that it can also be used to photograph a very busy intersection and allow you to do measurements without having to put people out in traffic lanes. You can photograph a bridge from different angles. The State of Washington DOT identified it last year as their technology of the year for those applications so we're now going to be using that here in Alaska. It has both highway safety benefits and engineering benefits.

The third one, and one we implemented, is a technology called video log. Video log is where you drive down the road and take a lot of pictures. Those pictures can be used and then put on the web and viewed by the engineers to look at the roadway, say on a day like today when the road is covered with snow and it's hard to get out. The daylight is short. They can sit in their offices and see that roadway in optimal conditions. Very high resolution photographs - there are 1,200 of them taken per mile. It's indexed in a way that it makes measurements possible of the assets on the roadway. That's unique. Among all the states only one other state has been able to do that particular trick...to have it indexed in a way that you can actually do measurements so we can do asset inventory in a very cost effective manner as opposed to putting people in the field and measuring things manually. It has two benefits - asset inventory and for engineering, the feedback I'm getting from engineers in the field that are using this are saying this is wonderful. This allows us to see every detail of that roadway sitting in their office, be it Anchorage, Fairbanks or Juneau, without a field trip, without travel, and without dealing with things like traffic control and bad weather and snow cover, etcetera, etcetera. So, those are three efficiencies.

CHAIR JOHANSEN asked if the [video log] camera would be applicable to airstrips or other modes of transportation.

MR. OTTESEN replied the camera could be applied to Alaska Marine Highway System (AMHS) projects. He was not sure whether it could be applied to aviation projects. He said the law enforcement community is intrigued by it. The FBI is using it for crime scene investigations and, to demonstrate its accuracy, can measure the diameter of a bullet hole from a photograph.

REPRESENTATIVE NEUMAN asked whether the cost of that equipment is already included in DOT&PF's budget.

MR. OTTESEN said that equipment will be paid for with Highway Safety Funds. DOT&PF will provide two cameras to law enforcement; one to the Anchorage Police Department and one to the Alaska State Troopers. DOT&PF could download accident scene photos on the day the accident occurred.

REPRESENTATIVE NEUMAN asserted that he has been trying to get departments to work together so he commended Mr. Ottesen for his efforts.

MR. OTTESEN told members he would like to talk to them about DOT&PF's Highway Safety Plan later in the session because it was developed with remarkable cooperation among departments. He noted highway safety is a very serious problem; the plan goes a long way in identifying the scope of the problem.

MR. OTTESEN continued his presentation:

With that, I'm ready to begin, Mr. Chairman. I'd like to talk about schedule first because schedule has really been the key issue on people's minds, including Representative Neuman's comments here before we gaveled in. There's a diagram there in your chart, made from Excel, with about a two-year time line. That diagram basically shows you the schedule we thought we were following starting in the summer of 2006 when the regulations were issued in draft form that governed this planning process.

We knew then we had a potential problem in getting everything done that we had to get done. We had to get done under that a long range transportation plan in a certain amount of time. We also had to get done a strategic highway safety plan, which I just mentioned. That was even on a shorter time frame. That was due to be

done by September of last year with about a \$13 million consequence if we didn't get it done. We'd lose that much money.

As the summer of '06 wore on, we also knew we were going to have a new administration, which added another dimension to the problem. You couldn't really be starting a policy plan when, one way or another, there was going to be a new governor here in Juneau come December of that year. So, whatever we did, we had to wait for the new administration to get on board. Our solution to that was we will update the STIP because the STIP is the thing that is really the tool that US DOT is using to control the completion of the plan. The plan has to be complete before we can amend the STIP [Statewide Transportation Improvement Plan]. That's the controlling factor.

So we said let's have a STIP that's amended before the deadline, which was July of last year. We will then be able to extend the time that we processed the plan given the fact that we'd have a new administration. Our plan was we would have the long range plan done by approximately the end of 2006, at which time the STIP would have carried us across that gap in time of about six months. The next wrinkle, the card that got dealt that we couldn't anticipate, was the way the money was allocated at the start of 2008 in September of last year and I talked about that a little bit in the STIP presentation, about how we had a change and how much apportionment we're receiving and that has changed our flexibility. We now have to spend dollars in categories we weren't planning on spending it in, specifically more safety projects and more bridge projects, less highway reconstruction projects. The only way we can change the STIP to then spend those dollars in this fiscal year is to get the plan done and then to do a STIP amendment and then we will be ready to do the project work that will enable us to not lose those dollars.

I know this is confusing. If you look at this you see where that first horizontal band of red is. That's really where we lost our flexibility. That's when we said oops, we need to do a STIP amendment now but we had to complete the long range transportation plan and then do a STIP amendment. You see there those arrows right below - or between the two red lines. You can see that short amount of red arrow there near the bottom. That's the amount of time that will be left to obligate funds at the end of this

fiscal year after first completing the long range plan and then completing the STIP amendment. So we're taking a very, very generous amount of time, 10 or 11 months, and compressing it into two to three months under the schedule right now. There's really no one here to blame. We thought we had a plan. It was identified given all of the facts ahead of us, the new change in governor, the requirement to do everything, the fact that we were also working on a separate planning document but, when those notices arrived in October, all our well-laid plans were basically undone.

So if that's not entirely clear because it's a lot of material here...I'd be happy to go over that further so you understand. That's the push. That's why we tried to do this plan quickly and it's because we literally have tens of millions of dollars of state funding that's at risk.

REPRESENTATIVE NEUMAN asked Mr. Ottesen to explain the unexpected events.

MR. OTTESEN said in the 20 years he has been in the business, he has never seen DOT&PF lose the flexibility that it lost with apportionment last October. He affirmed the rescissions are the problem. Rescissions are a take back of apportionment, which is hollow in most cases because it is an unfulfilled promise. When that is left on DOT&PF's books, it gives DOT&PF latitude to adjust when a project slips and another must be substituted. He said now, DOT&PF now has to substitute like for like so that a bridge project would have to be substituted for another bridge project of a like dollar amount. Previously, DOT&PF could substitute any project for another. He continued:

So the change in October of last year, I still describe it internally as literally turning our world upside down in how we manage projects. I don't know to this day that all of our staff fully understands its implications. We've spent time talking to them, explaining to them, but a lot of people in DOT...really want to know what's my budget, what's my schedule, let me get it done. They don't want to deal with these arcane rules of the funding itself. There are just a few of us that have to suffer those roles. I hope that answers your question, Representative Neuman.

[1:48:50 PM](#)

MR. OTTESEN continued his presentation:

So, the plan itself - there's a PowerPoint presentation I'd like to go through. On the bottom of page 1 there's - you know, the question why is there another plan. Well the feds make us do it in a simple nutshell. There's a requirement in SAFETEA-LU that we not only have a statewide long range transportation plan, but that we update it to meet new requirements that were contained in SAFETEA-LU. In our state we have chosen to treat the long range plan as, what I call, a top level plan, a strategic plan, a policy plan. Those are the kinds of words you see used in other states. About a third of the states do it in that approach. Some states - I'll pick out a state that I know that doesn't do it that way is Kansas but Kansas doesn't have ferries, they don't have aviation, they have a very simple state highway system. They don't do a lot of local roads. So it's fairly easy for them to write one plan that covers all of their needs and get it done. The state of Alaska - huge geography, lots of different systems, very diverse sets of needs between urban areas and rural areas. Trying to do one plan that covered everything and was the definitive plan, there was no other document to turn to, would just be a huge job. I don't think it's possible. We do it in a tiered approach.

The policy plan is literally kind of a high level 30,000 foot view of where the state needs to go but it leaves to those other planning documents the details. Their job is to flush out the details, be it a modal plan, like an aviation plan or a marine highway plan, or a geographically constrained plan, like the Anchorage long range plan, like the Southwest Alaska transportation plan or there are other topics too. We have for safety, we have plans for ITS; we have plans for other subsets. If you look at AS 44.42.050, you'll find that state law actually provides, just for what I'm talking about, a tiered plan done in multiple documents.

[1:50:40 PM](#)

MR. OTTESEN continued:

On page 2 ... speaking here what I've just said at the top of 3. This plan is a policy plan. It's not a list of projects. We don't want it to be so unrealistic that we just say that the sky is blue and the future is rosy and let's go build everything we need to build. We wanted this

plan to have one overriding message: there's been a change in funding, there's been a change at the national level, there's been a change in what the dollars accomplish and we think that was the key message to get out. If we don't do something different as a state, our dreams for transportation will be in peril.

And so, when we started this plan, we said that is the key message. We have to communicate that one thing if nothing else in this planning document.

REPRESENTATIVE DOOGAN said he is familiar with the 2030 plan. Some projects were specifically mentioned but always under the rubric of "among others." He asked whether a 2030 plan could be submitted that did not include any projects.

MR. OTTESEN said the plan did not have to include any projects; however DOT&PF felt such a plan would not adequately explain, for example, system expansion so projects were included to illustrate those phrases. He asserted that DOT&PF is not attempting to let those named projects serve as projects that must go forward. Some of the named projects are already in the implementation stage.

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MR. OTTESEN continued:

Even our list of what we call strategic projects, \$5.5 billion and we talk in there about that, we...deliberately did not make that list part of the plan because to do so would let everyone argue over the non-essential point. The point is not which projects are in that 5.5 billion, the point is we can't build that 5.5 billion without something being different on the funding side. It's sort of moot to talk about the projects as there isn't enough money to build the list. And the 5.5 billion is a subset of needs, not the entire list, and that's the key point. We can't even build an important subset of needs, even if we could all sit at the table and agree what the subset is. We have to constrain further and that's really what we're trying to say is the current funding stream will only get you so far against the broad set of needs in this state.

The other thing about the plan I should talk about is just that the funding itself that's shown in the plan ignores the question of eligibility. It treats all of the funding

we get as essentially one color - aviation dollars, highway dollars, marine highway operating dollars, etcetera. That's only to make the point at the macro level, at the 30,000 foot level, how are we doing? We're not trying to say well we need to shift aviation dollars to highways or ferry dollars to something else. That can't happen legally. We understand that. But the key point is there are some real holes between what we think we need to do as an owner of the transportation system and what our means are to address those ownership responsibilities.

REPRESENTATIVE DOOGAN asked about a relationship between the projects mentioned in the 2030 Plan and the projects in the STIP, "that is, it doesn't make it more likely that a project is going to get into the STIP if it's in the 2030; it doesn't make it less likely if it's not."

MR. OTTESEN said it might make project inclusion more likely in the subordinate plans. He then elaborated:

If you are writing an area plan, just pick a region, or the YK Delta and you propose to build an 8,000 foot strip...when the policy is we should be building 3,300 foot strips because we have so many needs we need to allocate funds judiciously ... we would probably tell the authors of that regional plan you can't make that recommendation. It isn't consistent with being ... fair with the money and making it serve as many user groups as possible. So, it might constrain what goes in a subordinate plan, which would then constrain what goes into a spending plan. But we're not trying to make this long range plan, and we could put those kinds of words in the front end of the document if that would make people more comfortable, we deliberately keep this as a policy plan, as a strategic vision with a message about funding. We think that's really the take away message coming out of this plan. The truth is, most of our long range plans up until now have been "yawners." They have sat on the shelf and they have not drawn much interest. For some reason this one caught interest and it's kind of been an interesting phenomena.

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REPRESENTATIVE NEUMAN asked how he can communicate to his constituents what DOT&PF's specific responsibilities are in his district, particularly since his district has many borough transportation projects underway.

MR. OTTESEN said that is a good question because the public doesn't care who owns the road. The public wants to drive on safe, smooth roads that are appropriate to their needs. He said there is a hierarchy of roads in Alaska based on ownership: state, local government, federal or tribal entities.

REPRESENTATIVE NEUMAN asked for information to provide to his constituents.

MR. OTTESEN said he can provide maintenance district maps. He pointed out that sometimes road maintenance is cross-shared.

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REPRESENTATIVE NEUMAN noted a local road service area (RSA) does some of the crack seal work on state-owned roads.

MR. OTTESEN noted DOT&PF is statutorily required to maintain lists of state roads, which are posted on the Internet.

CHAIR JOHANSEN said he recognizes why people are frustrated with the 2030 Plan and how it affects future projects. He expressed concern that if the long range plan policy is concentrated on a certain area, it will affect specific projects.

MR. OTTESEN remarked it is far more likely that subordinate plans will specify project prioritizations.

CHAIR JOHANSEN asked if constituents should focus on the modal plans.

MR. OTTESEN replied in terms of allocating resources in the short term, those plans are far more meaningful. The 2030 Plan is treated as a call to arms for the state. The funding picture has changed. A different approach is necessary otherwise Alaskans must come to grips with what the state is able to accomplish.

[2:02:21 PM](#)

REPRESENTATIVE JOHNSON asked if there is still an administrative interest in participating in the upgrade and trade of municipal roads and whether that should be included in the 2030 Plan. He explained the upgrade and trade involve the state upgrading a road and then giving it to the municipality, which would then maintain it.

MR. OTTESEN said that strategy is not listed in the 2030 Plan but should be. That policy has been in existence for almost 20 years. He noted that one complaint about the 2030 Plan is that it does not sufficiently address ports and harbors. DOT&PF has been devolving itself from ports and harbors for 20 years. DOT&PF has transferred ownership of many harbor and road facilities and will continue to do so if it has the funds to do upgrades.

REPRESENTATIVE JOHNSON asked whether that philosophy should be included in the 2030 Plan as an overriding plan and whether it will limit DOT&PF if it is not in the plan.

MR. OTTESEN said that type of policy comes from the legislature so it does not need to be included in the plan; however he believes it should be included in the plan's overall efficiency proposal because it makes DOT&PF more efficient. DOT&PF manages many more roads than the typical department of transportation elsewhere in the country. DOT&PF manages about 40 percent of the state's road miles. The national average is about 20 percent.

REPRESENTATIVE JOHNSON encouraged Mr. Ottesen to include that policy in the 2030 Plan to help DOT&PF get closer to 20 percent and divest itself of roads within municipalities.

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REPRESENTATIVE FAIRCLOUGH cautioned the urban members of the committee to be careful what they wish for. She continued:

When you enter projects like that you have long term obligations that go out into the future that you burden people who, from some urban areas, think they pay an extraordinary amount of taxes and bonding capacity already and so, again, from my service prior to this body, we have been involved in my community before, taking over roads and it does create clarity for who is responsible for the snow being on them, but it also adds obligations about a decade out in the future of when you have to repair them locally and do that.

I just think that as a state representative we certainly need to look for ways to reduce the state's responsibility, and, from that perspective, I think it should be included in the plan. But, as far as the community members that I

represent, I feel it an error in my way not to say that that could in the future cause them to have a bond before them that would require them over the next 30 years to have to pay for that improvement out of their own pockets.

MR. OTTESEN continued his presentation:

Slide 4 - We're trying to address the state's responsibilities in each of the modes that we're looking at primarily. Obviously there's some question about ports and harbors that I've already discussed. We are amplifying the ports and harbors discussion. I should add we have reached tentative agreement with two other organizations, the Denali Commission and the Corps of Engineers, to do a three-way study of the state's port and harbor needs because it's kind of long overdue. One, it hasn't been done in a long time and two, there have been a lot of changes in what is needed out there, everything from the change in shipping lanes due to the diminishing ice, to the fisheries in western Alaska just due to the changes in evolution that have gone on in fisheries, all gravitate toward a need to look hard at what our ports and harbors need across the state. So, there's a supplemental request in the 2008 capital budget to fund the state's share of that study that I think was announced this week or released this week.

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REPRESENTATIVE DOOGAN noted the committee has heard testimony that DOT&PF is building a lot of projects, such as bike trails and sidewalks, and asked where those projects fit into the 2030 Plan.

MR. OTTESEN answered those projects are considered to be ancillary parts of the highway system. DOT&PF occasionally builds them in a different right-of-way but those are generally transferred to local governments, such as trail systems that follow green belts. He stated:

But, by and large, the trails that we build that are part of the highway system, they are just part of our responsibility and they are actually talked about in the plan. There is discussion of them. In fact, internally we ask ourselves are we doing a good enough job of keeping track of them because right now all of our asset inventory tools are focused on the highway itself. They aren't

focused on those other features so we think this new video log tool will allow us to do a better job of getting the grips of just how many miles of this and that that we own.

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REPRESENTATIVE DOOGAN asked how he would find out what DOT&PF is doing to maintain sidewalks and trails associated with state maintained roadways. He asked if those funds would be part of the giant maintenance fund for roads statewide.

MR. OTTESEN said that is how it works; those funds would be part of the highway operating budget. DOT&PF's Highway Safety Plan identifies the importance of clearing those trails and sidewalks for safety reasons.

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CHAIR JOHANSEN asked whether those numbers are separated out.

MR. OTTESEN replied trails and highway maintenance funds are not separated; they are both part of the same operating budget because the same equipment and workforce is used.

REPRESENTATIVE DOOGAN said he was informed that typically, the equipment DOT&PF uses to clear roadways cannot be used to clear pathways and that in the Municipality of Anchorage, DOT&PF has no equipment to keep pathways cleared.

MR. OTTESEN agreed it is fair to say DOT&PF could do a better job. DOT&PF managers say they do what they can within their budgets.

2:12:35 PM

REPRESENTATIVE SALMON asked for information from DOT&PF about improving the [airstrip] in Red Devil by adding lights, for example.

MR. OTTESEN said he would refer that question to the new deputy commissioner of aviation who will be on board in a couple of days.

REPRESENTATIVE SALMON said the lack of improvements could be a matter of life and death.

MR. OTTESEN said DOT&PF has been trying to bring airports up to the minimum 3,300 foot standard in many areas of the state and is now addressing the most difficult projects.

CHAIR JOHANSEN acknowledged that a representative from the aviation division will address the committee next Thursday.

REPRESENTATIVE SALMON said the improvements should be fairly simple and have been on the books for a long time.

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REPRESENTATIVE JOHNSON indicated that his district has several state roads and asked if municipalities are compensated for clearing trails adjacent to those roads.

MR. OTTESEN said DOT&PF has cross agreements and shared responsibilities with municipalities so that, for example, if a municipality clears trails along state roads, DOT&PF will use its equipment to clear certain city roads. He said those agreements are typically in writing; DOT&PF is trying to make them formal in all cases. He continued his presentation:

On Slide 5, the only thing this slide is trying to show you, these are all indexed to 100 at the time of statehood that our population has about tripled since statehood but our use of the roadways in terms of EMT or vehicle miles of travel and the number of vehicles registered have both gone up three times faster than population. This is a remarkable statistic when you consider the fraction of Alaska that it is really "unroaded." You've got almost 30 percent of the state's population not on a road system. We actually have some of the highest registration of vehicles. I think we have more vehicles than we have people in this state, which is an unusual trend. In most states it's the other way around.

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I think I won't belabor Slide 6. You've seen a similar slide in the presentation last week. The price of things is going up and it's going up in Alaska faster than it is elsewhere in the United States. That has just played into what is happening to the dollars and what they are able to achieve.

On Slide 7 - no surprise here. We're heavily dependent upon federal receipts. You can see those three bands. The top two bands have not changed that much. Their thickness is about the same over several years, whereas the federal band is where all of the growth has been. For a state that relies so extensively on federal funds, if something happens to that source of funds, we are clearly at risk and there's a lot of discussion that that could happen. There could be changes.

CHAIR JOHANSEN asked where he can find a list of the revenues for the remainder of the roads.

MR. OTTESEN clarified the bands do not represent revenue for roads because Alaska has no dedicated fund for that purpose. Revenues for roads from registration fees and gas taxes are deposited into the general fund. Funds are then appropriated from the general fund for the operating costs of the marine highway and aviation systems and roads. The red band shows the operating cost appropriations. He told members the amount deposited into the general fund from registration fees and gas taxes is very close to the amount appropriated for roads. He pointed out Alaska is the only state without a transportation fund of some sort.

REPRESENTATIVE FAIRCLOUGH commented:

Following up on Representative Johnson's comments about personal responsibility inside of particular municipalities or regions in Alaska, I noticed that it's mentioned inside of 2030 about increasing or looking to local communities to match. Is there any way to "incentivize" local communities to qualify faster for highway federal dollars coming in by coming up with more of a local match? Is that inside of your strategy?

[2:19:11 PM](#)

MR. OTTESEN replied that is considered under DOT&PF's STIP selection criteria. Communities that contribute more than the required match are awarded more points.

REPRESENTATIVE FAIRCLOUGH asked, "But it is true that under the STIP that we put roads or any other transportation modes in without any kind of local community match."

MR. OTTESEN said DOT&PF does but several years ago the Legislature included language that requires local communities to provide a match for projects. He explained:

How our policy works is, we kind of look at the class of road. Roads are characterized by a scheme called functional class. They start at the top with the very, very high level roads. The primary arterials, which would be the NHS and the major arterials in a community that you can drive here in town - Tudor Road, Glenn Highway, would all be arterials. As you move down the functional class, you move into what are called collectors, major collectors and minor collectors and then eventually you get to what are called local roads. Every road in the state gets classified under this system. The DOT does it but we do it under strict guidelines and the oversight of the Federal Highway Administration who requires that we produce this functional class study.

So our policy says major collector and above, regardless of ownership, the state will match because those really are roads that serve broad state interests. They carry a heavy amount of traffic. In fact, one way to look at it is our major collectors and our arterials, I've got the statistics right here, represent 30 percent of our road miles but they're carrying about 80 to 90 percent of our traffic in the state. They clearly are where the economy occurs. They are where our state, you know, our economy wins or doesn't win when those roads are well maintained.

So there's a very, very high interest in those regardless of ownership. Roads below that threshold, we start to require a local match to participate. I should add historically, federal aid dollars have never been able to go below major collector - that has always been the federal scheme and in 49 other states it remains the federal scheme. Only in Alaska are we eligible to spend federal dollars on the lower tiers of the functional class system. It's good on one hand because it allows village roads to use these dollars and local roads in general, whether they be village or suburban or even urban. But it's the old adage. When everything is a priority, then nothing is a priority.

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REPRESENTATIVE FAIRCLOUGH commented that DOT&PF's criteria pointing system inside of the regulatory side of the code provides higher points. She asked the amount of the percentage match.

MR. OTTESEN said that depends on the apportionment of funds, however, in general the match is about 9 percent.

REPRESENTATIVE FAIRCLOUGH asserted that a community that has a 10 percent match would score higher.

MR. OTTESEN agreed that for every few percentage points above the minimum, a community would get extra points.

REPRESENTATIVE NEUMAN requested information on DOT&PF's point system and for information about whether those communities have direct access to the federal funds or whether they must go to DOT&PF.

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MR. OTTESEN said he would provide the point system information. In response to the second question, he said federal funds flow to DOT&PF, which is responsible for deciding what projects those funds should be used for. DOT&PF also has fiduciary responsibility for local government projects that use federal dollars.

REPRESENTATIVE JOHNSON expressed concern about an actual or perceived overbuilding of roads in Anchorage because some roads have been built to a higher standard than the traffic merits. He questioned whether the possibility of receiving funds might motivate a community to overbuild roads.

MR. OTTESEN replied money does not drive the standard. Standards for state roads are determined by the state; standards for municipal roads are determined by the municipality. He said the Municipality of Anchorage's standards include factors such as providing space for snow removed, or for wider intersection lanes to allow semi-tractor trucks to turn. He said there is tension among different user groups but the standards are decided by the road owner, not the funding source.

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REPRESENTATIVE JOHNSON asked whether a major collector road scores higher so that an applicant might design a road

improvement project as a major collector road to score more points.

MR. OTTESEN said DOT&PF controls the decision to build a major collector road depending on the area it serves and based on national criteria. He noted the group that requests funds does not determine functional class. That is determined using an independent review.

[2:26:53 PM](#)

REPRESENTATIVE SALMON asked if any major roads are included in the 2030 Plan, such as the Stampede Road.

MR. OTTESEN responded DOT&PF has proposed new roads only if a new source of funding has been established.

REPRESENTATIVE SALMON asked if federal money is included in the 2030 Plan for a [road] to the Pebble Mine if it is developed.

MR. OTTESEN commented the Southwest Alaska Transportation Plan states a possible need for a road from Cook Inlet down to Chignik and possibly farther south. It also says three small segments should be focused on now. That plan, done five years ago, took into account limited funding. He pointed out one of those roads, the Iliamna Nondalton Road, has become a lightning rod for people fearful of the mine's development.

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MR. OTTESEN noted public support for that road was originally very strong and is now quite mixed because of the Pebble Mine.

REPRESENTATIVE KELLER said the Matanuska-Susitna Borough has been asking that he and Representative Neuman work on a method so that the borough can use its portion of matching funds to affect the timeline and planning process. He noted the Borough has built a connector but cannot get access to the Knik-Goose Bay Road because of a timing issue.

MR. OTTESEN repeated DOT&PF is prepared to fund roads that are major collectors or above, regardless of ownership. DOT&PF's matching fund policy also applies to transit projects because transit projects serve a group of users that often have no other means of transportation. He said DOT&PF staff has had many policy discussions on the topic. The Legislature directed DOT&PF to hold the line firm a few years ago.

REPRESENTATIVE KELLER asked if a mechanism exists whereby a community can affect a project's timeline by contributing local money.

MR. OTTESEN said a community can affect the timeline through the scoring process. He commented that the Mat-Su Borough has been a leader in coming to the table to deal with its road needs, as have Juneau and Anchorage.

[2:31:52 PM](#)

CHAIR JOHANSEN noted he would like to bring the committee's attention back to the presentation after Representative Fairclough asks her question.

REPRESENTATIVE FAIRCLOUGH stated:

Mr. Chairman, it was in response to Representative Johnson's inquiry about ... projects spending more money. That does happen on a local level. Local plans can, inside of the process, at least in the community of Anchorage we looked at trails or amenities on the side of the road, and I believe inside of some sub-criteria for the National Highway System's - I think there's some kind of demarcation for a 5 percent for amenities alongside the road and then Anchorage chose to increase that to a higher percentage so if you look at a roadway like 15<sup>th</sup> Avenue, some feel that's overdressed, some feel that's a nice way to slow traffic down by those additional amenities and do that so dollars can be ate up. It doesn't necessarily change the project out but it does happen. And then - and it's usually by community request in the area, it's not DOT coming in and saying let's do more. It is local communities and individual groups asking for amenity changes.

And then in response to Representative Keller, one of the successes that we had at a local level was when you look at mega-projects, if there's any way to bust those into smaller projects. I thought that we were able to facilitate for the first time ever private sector contributions in the form of Fred Meyer, who actually came in and, to advance their project, we splintered off the Glenn Highway project that hasn't gone forward as quickly and were able to provide local community match actually from the private sector to come in, instead of bonding or

others. So, DOT has been responsive when people try to step up and save the state money, per se.

[2:33:58 PM](#)

MR. OTTESEN continued his presentation:

Slide 8 - slide 8 is where we essentially have added up the cost of ownership for these three major modes of transportation broken down into, essentially, the cost of improving that system, be it highways or ferries or aviation. We call that system development. The cost of life cycle management, which is simply the cost of being a good steward to the things you already own, if you do proper life cycle management, you preserve an asset and actually lower your total costs in the future because it lasts longer. It is said that \$1 in pavement management expenditures will save \$4 of rehabilitation in the not-too-distant future, so you spend a dollar now or you can spend four later. Same thing with bridges. And then the cost of routine maintenance, and if you look at the highway bridge system, it's over a billion dollars to be full ownership. This is a bottoms-up analysis. These numbers were really - they spent a lot of time on consultant data in getting to these numbers. They are all documented. They come from as much data as we can bring to the table.

The same for marine highways: the cost of managing that system is about \$154 million a year including fleet additions or replacement and refurbishment, recertification costs per year, working on the terminals, and then the [operation & maintenance] O&M cost. And then finally, for aviation you see it's about \$223 million to operate that system, to be the owner of that system, including bettering the system as well as maintaining what you have.

I want to talk a little bit about that system development cost on highways in the next slide that we come up to on Slide 9.

[2:35:33 PM](#)

MR. OTTESEN continued his presentation:

This is where we talk about a set of strategic priorities. You could say it's the most important of a list of very important projects. We knew going in we couldn't take the

full \$10 or \$12 billion and just say build that, because it's completely off the table in terms of funding. So we looked at ... I'd say the most critical projects to the state and I think if you put 10 people in the room, you'd probably get 80percent agreement on the list - that people would agree - at least 80 percent - in common projects. There will be a few projects that people say no, take that off and add this. That's just the nature of our political process. I think it was a fair look. We talked to our regions about this. We looked at it and, again, the important message here is not which projects make up the 5.5 billion. The important message is if you wanted to do \$5.5 billion worth of work in the future, how long will it take you to do that with current resources. You're going to find out, keep this 5.5 billion in mind as a straw man list without agreeing to what's in it, that it will show how long it takes to get it done under different funding scenarios in a later slide.

So, as you can see, there's a very small amount of money, less than 10 percent for new roads. Almost everything else is some form of standards, upgrade, or an urban capacity improvement including Anchorage, Mat-Su, Fairbanks and other urban capacity.

[2:37:10 PM](#)

MR. OTTESEN continued:

So on Slide 10, which is unnumbered - I'm sorry, it looks like the numbering went away here for some reason - but the Alaska financing slide, there's some risk to rely upon the federal program growth. I could talk at length about what that risk is, but everything I'm learning about reauthorization gives me pause. If you kind of, you know, right now with [petroleum production profits tax] PPT just passing, we look pretty good but when this was being written, PPT wasn't passed yet and everyone was saying you know, just a few years in the future with the decline of production at Prudhoe Bay, oil revenues don't look all that healthy. Some people would say that's still true, even with PPT, is that 6, 7 percent decline at Prudhoe Bay is really going to come - we'll have to come to grips with. So, the prognosis for general fund revenue, long term, is not great.

We also have the issue that we've never had a dedicated fund for transportation - constitutional reality - we just haven't done it. I think as a state, we've tried to look to the federal purse as much as possible although it's interesting, in early statehood we Alaskans were pretty brave. We went from a 5 to an 8 cent gas tax increase at a time that made it the highest tax in the land in the early '60s. That stayed the same and every other state now has passed us up. We stood pat and everyone else has run past us.

REPRESENTATIVE NEUMAN asked if DOT&PF is looking at changes to the gas tax.

MR. OTTESEN said it is not. He explained the Governor's Alaska Transportation Fund would generate about \$50 million per year at the start. The gas tax would have to increase from 8 cents to 20 cents to raise \$50 million. Alaska's small population base makes it difficult to generate adequate funding. Additionally, people see a surplus in the bank. He believes the Alaska Transportation Fund is a fresh idea with merit.

[2:39:34 PM](#)

REPRESENTATIVE NEUMAN commented:

So when I'm looking at this and I'm reading the 2030 Let's Get Moving Plan that's laid out, this big plan, in these slides we're trying to keep this \$5.5 billion in mind. I don't see how we're going to get that and how we're going to pay for the numbers that we see in here, correlate equally into here.

MR. OTTESEN said that will become clear in 2 or 3 more pages. He stressed that a lot of state owned and local projects are not on that list. The list is a subset of needs but it leaves a lot of projects unfunded. He then continued his presentation.

So, the top of the next page - The Alaska Financing Realities. Most of the new financing strategies being used nationally, and there are a bunch of them now that are kind of coming to the front, just don't make a lot of sense in our state. There's just an awful lot of tendency now to look to tolls. Toll is being used - the State of Washington is about to toll an existing freeway. They're also going to toll an existing bridge and they are going to toll the bridge several years before they rebuild it so

they are starting to toll projects before they even do the work that the public is paying for, which is a new concept. In the past you got - once something was built, you got the toll but you didn't get the toll well in advance of the construction. They're going to have a \$6 toll to cross a one mile bridge in the State of Washington that's been in existence since the '60s. And they've concluded it's the only way they will get it built. All other funding sources have dried up.

REPRESENTATIVE JOHNSON pointed out that the State of Washington brought Alaska the container tax.

MR. OTTESEN added the Port of Long Beach also adopted a container tax so that idea is beginning to leap frog around the country. He continued his presentation:

Many other taxes, you've got what are called - the State of Colorado built a freeway but built no on and off ramps and if your area wanted an on and off ramp to use that freeway, to get to it and get off it, to get customers there, you had to do an LID, a local improvement district, and you would pay not only for the cost of the on and off ramp, but you are going to pay for part of the original investment in the freeway. So that was how Colorado did it.

REPRESENTATIVE SALMON asked if the 8 cent [gas] tax is still being charged.

MR. OTTESEN explained it is but it is deposited into the general fund so there is no way of knowing for what it paid.

REPRESENTATIVE NEUMAN stated:

With that, could Representative Salmon find out so he can get to the people in Sleetmute how much is the DOT putting into that airport, I mean, what type of planning so he has the capability to go to DOT and get that information to provide it to his communities?

MR. OTTESEN replied, "Absolutely."

[2:43:13 PM](#)

MR. OTTESEN continued his presentation:

So, in general, if we scan the country and we look at all of these - these are all basically one form or another of user pay concepts. None of them really look very promising. There are a few spots where we might use them. I mean we do use user pay on the ferries. We use user pay on our Whittier tunnel and we are proposing to use a user pay concept on the [Knik Arm Bridge and Toll Authority] KABATA project but I just don't think you are going to find it works on say, the [Richardson] Highway with 500 cars a day. It's just not a viable, practical alternative. So, we're really not recommending that those techniques be considered in our state.

REPRESENTATIVE DOOGAN asked if the user pay concept works on the Whittier road.

MR. OTTESEN said the state supplements the [maintenance] cost with several million dollars each year.

REPRESENTATIVE DOOGAN asked whether the user pay concept works anywhere in Alaska.

MR. OTTESEN said the user pay system pays for about one-third of the total cost of the ferry system. The KABATA project is designed so that user pay would cover the majority of that project's cost.

REPRESENTATIVE DOOGAN noted the user pay system always proposes to pay the full cost of a project but seems to be more of a supplemental funding source.

MR. OTTESEN agreed. As an example he noted the Dallas Toll Authority is charging 11 cents per mile. He stated Alaska has high construction costs and a low population, so these ideas work elsewhere but may not work in Alaska. The federal aid program is good to Alaska because Alaska receives a much larger share than it contributes.

REPRESENTATIVE NEUMAN said he has heard a number of funding options from DOT&PF but it is not proposing to raise the gas tax.

MR. OTTESEN said in addition to the Alaska Transportation Fund, DOT&PF is considering a return to the Local Service Roads & Trails (LSR&T) program. That program is general funded and uses dollars in a very cost-effective way.

[2:46:39 PM](#)

MR. OTTESEN informed members the LSR&T program began in the 1970s and expired in the 1980s. It is still in statute but has not been funded for 20 years.

CHAIR JOHANSEN said Mr. Ottesen's presentation sounds like a sponsor statement for the [transportation fund] bill in committee.

MR. OTTESEN pointed out the 2030 plan was written not knowing the transportation fund bill would be coming.

[2:47:22 PM](#)

MR. OTTESEN continued his presentation:

The slide here at the bottom, the two bar graphs, this simply tallies up the cost of ownership for the three systems that I showed on that table previously. It's a little over 1.4 billion. That's really the cost of being the owner of these systems, of maintaining them and bettering them at a sustained pace. And then you look at the total amount of revenue that we receive and it's about half of that or about \$700 million, round numbers. Some systems, if you look at the aviation revenues and compare it to the aviation cost of ownership, they are pretty close, just a little bit short. If you look at the federal aid highway receipts compared to the highway needs, it is well under 50 percent. So, different systems are situated differently in terms of how well they are being funded today. And I think that's an important take away message. While the state as a whole has about half the amount of money we need, the degree of need is not the same among the different modes, highways and marine highways being the two that are most wanting for funds.

CHAIR JOHANSEN commented, "So our aviators are taking care of themselves."

MR. OTTESEN said they are but he would love to see DOT&PF figure out a way to finish about 12 airports.

[2:48:40 PM](#)

REPRESENTATIVE SALMON asked if DOT&PF works closely with the Bureau of Indian Affairs (BIA).

MR. OTTESEN said DOT&PF is trying to collaborate with the tribes to get Indian Road Reservation System funds and has had some success but needs to make more of an effort. DOT&PF is also coordinating with the Denali Commission to work on projects in several villages. He said projects in rural Alaska are funded from three or four sources including state funds, Denali Commission funds, BIA funds, and coastal village funds.

[2:50:00 PM](#)

CHAIR JOHANSEN said that question parallels a question raised by Representative Fairclough last week about using funds to the greatest extent.

MR. OTTESEN pointed out each pot of money has a different set of rules, which sometimes creates a challenge on projects with different funding sources.

[2:50:51 PM](#)

MR. OTTESEN continued with his presentation:

This slide here with the two graphs that has the three arrows on it, they just show you that how you bridge that gap. The simple way to think of it is you constrain your needs or you prioritize differently or you increase your revenue or you do combinations of those three major approaches. We are proposing to do a little bit of each of those as you'll see as we get into the details of the recommendation.

The first - and we then broke it down and there are three strategies here, we could have made more but I think the three strategies represent a pretty good cross-section of a spectrum of strategies. One is that you maintain your own annual life cycle management funding levels at about the percentage you do now, leaving some money left over for system development. Why is that important? Well, one, the public clamors for system development perhaps more than anything else. Come and fix our road. Widen our road. Make it better. It also is part of our current economy of the consulting community, the construction community and, in fact, the DOT design staffs all come to rely upon that. So, if you stop doing that thing, then all those parts of the economy are left without a funding source.

What that means is there is some deterioration of the system because we're not maintaining it, we're not doing life cycle management steps to the level necessary so some of your condition of the system starts to go down and that \$5.5 billion list of projects - that very narrow short list of a much bigger set of needs wouldn't be completed until about the year 2041. That's a long time from now - 35 some years, 30, 40 years.

REPRESENTATIVE DOOGAN asked Mr. Ottesen to distinguish between the operations and maintenance segment from the life cycle management segment.

MR. OTTESEN explained that operations and maintenance are tasks done annually to keep the system intact, such as fixing guard rails or snow plowing. Life cycle management tasks prolong the life of a facility, such as cleaning culverts or fixing a cracked ceiling. Those tasks are major efforts and are DOT&PF's major expenditure area.

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MR. OTTESEN compared it to replacing a roof on a home rather than allowing the leak to ruin it.

REPRESENTATIVE DOOGAN asked if the distinguishing factor is that a considerable amount of money is spent on life cycle management.

MR. OTTESEN affirmed that is correct. He pointed out that DOT&PF now takes \$50 million out of the STIP each year to do life cycle projects. Those projects were previously done with general funds.

REPRESENTATIVE DOOGAN asked if the federal government knows DOT&PF is doing that.

MR. OTTESEN said it does; preventive maintenance is considered to be an eligible cost, operations and maintenance costs are not. He said DOT&PF walks a fine line between bettering the system and keeping it there.

[2:54:39 PM](#)

MR. OTTESEN continued his presentation:

Another scenario is let's focus on life cycle management - excuse me, operations and maintenance, this optimized operations and maintenance at the expense of system development and so deterioration slows, you have a slower increase in the life cycle backlog of projects but suddenly now your ability to address that set of strategic projects has gone from 2041 to 2064. You're talking about almost a life time. It is politically almost impossible for people to expect to wait that long for needs they can see today. You're talking about asking them to wait almost 60 years for a set of needs. It would be very, very difficult, I think, for the department and I think for people in your seats to see that policy implemented. It's sort of a non-starter right out of the gate.

The third scenario is sort of equally a non-starter. Instead, you optimize on life cycle management. You put all of your money, as much as possible, to manage the system we have, better our ferries, better our roads, not improve them to the point that you're widening them, but you keep them smooth, you keep them maintained. You can't even perform operation and maintenance at the necessary level with the dollars we get and there's no money left to mow down the backlog of that \$5.5 billion list. In other words, it's not being through infinity. This is a completely non-starter from the standpoint of trying to do a little bit of everything to keep all the needs addressed.

[2:56:07 PM](#)

REPRESENTATIVE DOOGAN referred to the second scenario and said if system development went bottom up, he could understand the argument that DOT&PF could not wait much longer. He asked how confident Mr. Ottesen is that system development is included because citizens are clamoring for projects and not because traffic engineers like the idea.

MR. OTTESEN replied in Anchorage, for example, the municipal projects and the AMATS long range plan underwent a very public process to create the list of projects. DOT&PF did not change the list.

REPRESENTATIVE DOOGAN said he was not referring to what the AMATS board or traffic planners want. He questioned whether DOT&PF has given significant consideration to scenario 2 or whether a plan "goes out the window" the minute someone squawks.

MR. OTTESEN replied:

I see the downside as being so large in my own mind that we would never be able to politically implement it. You would almost be shutting off whole sectors of the economy and just telling them that your services are no longer needed. That would be one almost immediate consequence of adopting that. You would be telling communities that your needs will simply have to wait for a very long time. That constrained list of projects is now out to the 2060 time period. That, too, would, I think, have consequences in the political support for one approach versus another.

REPRESENTATIVE DOOGAN clarified that he is questioning DOT&PF's definition of needs in that statement.

MR. OTTESEN said he understood.

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MR. OTTESEN continued his presentation:

I think I've given you kind of the three scenarios and I know time is kind of short. I want to just talk quickly about our national transportation investment policy and how we stack up around the world, not only around the world but around the country as a state. I think it's an eye opener. It was for me when we developed the numbers.

If you look at Europe, the old continent as we love to call it from our perspective, they are doing massive projects, projects that are really much bigger in scale and scope, everything from the tunnel to enormously large bridges, tunnels, etcetera, building high speed rail. They are spending about 3.5 percent of their [gross domestic product] GDP on transportation. Keep that number in mind as you go through the slides.

If you look at Asia, it's even more dramatic. Asia is - China is building an expressway system that will be larger when it's done than the U.S. interstate. They plan on building it in a faster time period than we did the interstate. They and Japan and India are all building high speed rail. In fact, one takeaway number is - right now there are 13 nations with high speed rail. If the United States doesn't get something going here pretty quickly, we will not be fourteenth. We will be later than fourteenth

so we're way behind in that particular technology. China is spending 9 percent of their GDP and India about 3.5 percent of GDP on transportation investment. The United States is spending as a nation less than 1 percent. As an AASHTO official said, we were sitting on the investment of prior generations and neither sustaining it or bettering it. We've just simply sort of stopped that responsibility.

We, as a state, are spending less than one-half of one percent of state GDP on transportation and that makes us 44<sup>th</sup> among 50 states in the nation. And then if you ask the question well how do we stack up compared to the six or seven states most like us, states with large geography and a small population base, and there are seven of them that I identified, we're seventh among seven. We're at the bottom of that list too. So, even the Wyomings and the Montanas are outspending us, let alone the bigger states.

REPRESENTATIVE NEUMAN commented:

...Somewhere in history I remember somebody saying it's the economy stupid, you know? I mean if we don't take care of that as legislators [indisc.] we take into these last couple of slides here, it's so critical as to the - I mean trying to view Alaska from the 10,000 foot level and if we don't have a transportation system so that we can grow our economy, whether it's a [indisc.] as Representative Salmon talked about or anything that we're doing, we're at a loss. And with our position in the eastern Pacific Rim, Ted Stevens International, the third largest freight transporter in the world, you know, with the polar ice cap receding and the over-the-top route for ships, freight ships coming up through there and to the Panama Canal, it's only going to get more - more busy for Alaska and now is the time. But the question I have for DOT is DOT prepared to make those requests to the Legislature to get us to the point where we have to get to this? You know, right now, when we're looking here and you have Alaska spending less than one-half of a percent on gross domestic product and we're ranking 44<sup>th</sup> ... is DOT stepping up to the plate, coming to the legislature and saying this is what we need so that we're not ranking 44<sup>th</sup>?

MR. OTTESEN said DOT&PF is willing to introduce the proposed Alaska Transportation Fund proposal. It was scheduled to be heard in the Senate Transportation Committee today but was delayed. That proposal is the first new idea to fund

transportation projects. He said he believes that fund is necessary. He recalled hearing about the need for air freight capacity in Anchorage during the Cowper Administration. Anchorage had lost its ability to serve the passenger market because airplanes were not stopping in Anchorage to refuel. The price of oil was down to the \$9 range but the state made that investment and it started a trend that has made Anchorage an economic success. He said transportation investment is the foundation to an economy sometimes.

3:04:41 PM

CHAIR JOHANSEN stated the transportation fund legislation is in the House Transportation Committee so members will have a chance to discuss it.

REPRESENTATIVE DOOGAN commented:

... Mr. Ottesen, I think part of the problem I am having with this is that this presentation takes a look at ... what's called on Slide 9 strategic priorities for surface transportation. It is two different things. One is sort of a consumer product so, when you say demand driven by urban capacity is \$2 billion of your \$5.5 billion figure, that's basically drivers want more roads so that sort of treats that as a consumer product. Then there's a billion dollars where we would have to match federal standards. I guess it's a consumer project if we're spending money to make federal highway planners happy. I guess they're the consumers of that. As you go down this list, you really don't hit a very big percentage of this \$5.5 billion as money that has a direct impact on economic development and yet, on the other hand, as we go a little bit farther along in the slides, suddenly we're talking about transportation as an engine of the economy. I guess what I want to say here is if our consideration is that we need transportation development for economic development as Representative Neuman said, why such a big part of the price tag here? Essentially transportation is a consumer product.

MR. OTTESEN answered:

I understand why you are characterizing it as a consumer product, but I think you can equally characterize it as an economic benefit. If you look at the new Elmore Road that just opened, it, by our estimates, is saving the customers out there \$10 million per year in travel time, fuel costs,

etcetera, just sheer benefits of the economic advantages of that. That means those consumer benefits will pay for that project in about three or four years, the entire state investment. The problem is there is no relationship to the benefits being generated and the state's ability to pay for it. They're coming from different ...

REPRESENTATIVE DOOGAN said it will not pay for that project. It may provide some numbers that offset each other.

MR. OTTESEN agreed there is no feedback loop. He said in communities with severe congestion, the business leaders complain that that condition is affecting the economy because it affects delivery of goods and worker transport. He pointed out the clamor in Seattle for new urban transportation capacity is coming from Microsoft, Boeing and the large employers because the traffic problem is affecting their economy.

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REPRESENTATIVE DOOGAN agreed that people want a shorter commute and are willing to spend someone else's money to do that but that expenditure differs from the necessity of improving transportation for economic development. He stated:

I'm not trying to debate here. I'm simply trying to clarify ... if you take \$5.5 billion or whatever it is, which is a lot of money even here, and if it's not all one thing, how much of it is one thing and how much of it is another because I think that insofar as the Legislature or the policy makers here, we might be more willing to invest in one thing than another, if that's the question that's put before us. So, we just kind of need to know which is which.

MR. OTTESEN asserted each project brings mixed benefits. Some will jump start the economy, perhaps some are more consumer oriented. He furthered:

The question is then can we capture some of those benefits. If we make those benefits, can we capture them so that the cost of building the improvement is borne? That's the whole idea behind tolls, for example. That's really the fundamental principal behind tolls. People are willing to pay the toll because they want to drive a little faster and not see their time eaten up. I think some of these are in here if you look at, for example, the special needs. The

gas line, the truck weight restrictions, clearly have an economic benefit. Some of those rail benefits in the billion dollars there would be like the Port McKenzie extension. That clearly has an economic jumpstart characteristic to it but your point is well taken and I respect that.

3:10:09 PM

MR. OTTESEN continued his presentation:

Half a percent - you know, in Alaska we're collecting a half percent per mile if you assume, and well actually a little bit less if you consume 20 miles per gallon, it's about 4/10ths of a penny. Of course that's going to the general fund. It's not directly helping highways but it gives you some idea. But the cost to drive for triple As is much, much higher. It's 50 cents for the standard sedan and it's almost 75 cents for the pick-up truck or the large SUV. So we, as users of the transportation system, are willing to pay a lot to use it. We just aren't willing to pay a lot for the road we drive on. It's sort of a take away message and it's sort of interesting. The system has just really been starved for capital, yet people are already paying an awful lot of money to use that road.

I've already given you the Dallas example and I wanted to just talk on this next slide about the constitution but there clearly is a legislative mandate that we provide for the utilization, development, and settlement of our lands, use of our natural resources in that we also, through the Legislature, would provide for those facilities' improvements and surfaces that make that possible. I found myself it is kind of useful to read this and not only to see the statements. I'll give you an example. One of the things we sometimes get criticized for is, if we propose to build a road that might serve a private interest, we get criticized by people who are watching transportation policy yet constitutionally it is clearly a mandate that we will provide for the settlement of lands and the use of resources. We may, as a state, make that happen through development of facilities. It's interesting that the words "transportation" or "highways" are not found in our constitution so this is as close as you get to defining that relationship.

3:12:28 PM

MR. OTTESEN continued:

Kind of going back to the three scenarios at the bottom slide here, what is the most viable scenario? I've already telegraphed it, which is to maintain O&M and life cycle management at approximately the same levels and to try to do it a little bit more intelligently to - we do a lot of what's called "worst first" in pavement work. There [are] a lot of national studies that tell you that worst first is kind of the wrong use of your dollar. I think managers are on the horns of a dilemma.

Worst first means if you have a limited pot of money for pavement management and you spend it on your three or four worst roads that are so torn up they just need to be completely redone, the money doesn't go very far. If instead you took the same dollars and you spread it over many more roads extending the life of their pavement, you get better payback.

The problem with that approach is the people who live on those really bad roads and the representatives in the legislature who represent them are going to be on your case for not doing those roads first. So you are torn between the need to fix roads that have already failed, which is sort of the wrong use of the money from a management standpoint.

So, what we're saying in the plan is we need to find a way to get out of worst first, which is what we're doing right now but the only way you get out of it is you have to find an infusion of dollars to catch up on the pavements that have failed. One key number on the National Highway System alone, \$300 million of pavement have reached their useful life - that is they have effectively failed. The growth rate in that backlog of pavement is about \$90 million a year. So, we're losing about \$90 million more a year each year. We're only spending \$50 million a year on pavement management activities and that's beyond the NHS. It's the NHS and everything else so, you can see just from that one metric that kind of problem is growing, not shrinking.

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REPRESENTATIVE JOHNSON asked whether Mr. Ottesen was talking about the number for Alaska.

MR. OTTESEN said that is the number for Alaska on the 2,100 miles of National Highway System alone.

REPRESENTATIVE JOHNSON asked how much of the total miles Alaska is responsible for.

MR. OTTESEN said he would provide that number for the rest of the state-owned system but DOT&PF does not have good numbers for locally-owned roads.

MR. OTTESEN continued his presentation:

So, there is some kind of focusing going on in the recommendations. One is - the focusing is we continue to pay attention to the National Highway System as our first priority. Again, it's where most of our use of the highway occurs. It's where most freight travels. It's where most people are driving their big miles, their high speed miles. I lived on a gravel road in front of my house for a long, long time and sometimes it was pot-holed, sometimes it wasn't. But, you know, I didn't care that much because it was only a half a mile and then I was on a state paved road and life went on. So my road can be in pretty bad shape and my commute wasn't really that big a deal. But when you're driving on 10 or 15 miles a day of really bad road, it's a different story.

So the question is, if you focus on the viable roads, what do you do about that next tier, the tier that you're not focusing on? This is essentially triage and triage is about the art of making hard priority choices. It always leaves something undone if you understand that philosophy. The committee, the transition team for DOT, strongly recommended that we do exactly this - that we focus on the NHS first. I throw it out with a bit of caution because it's like worst first. Every time you direct your dollars here, you're going to leave something undone. It's that undone component that raises the question how do we get to that too.

[3:16:27 PM](#)

MR. OTTESEN continued:

So you've seen here on the next slide the strategic project timeline. Under our scenario, we could only get to the

\$5.5 billion list by 2041. If we brought more money to the table and focused on that list, there is how fast we could accelerate it at three funding scenarios: \$100, \$200, and \$300 million additional per year. You can see if we could get \$300 million a year, we could have that list done in a decade; something less, it obviously stretches out into another 10 years. So, it's just a way of understanding how fast additional money would help you get to a prioritized set of needs.

The bottom slide points out the obvious. I think it is something that some times gets forgotten. Different transportation systems in the state are kind of in a different set of circumstances. Our state highway system and our rural airport system have no internal funding mechanism. The system managers are not allowed to adjust funding, set rates, retain revenue - a constitutional prohibition. At the same time, in the same state, we have other transportation systems, including our international airport system, the Port of Anchorage, which is municipality owned, but also the Alaska Railroad and KABATA, so three out of four of those are also under the same constitutional rules but somehow they're going to be allowed to set rates, retain revenue and, actually in some cases, even raise capital.

REPRESENTATIVE NEUMAN said Mr. Ottesen mentioned that by statute no internal funding is permitted for highways and airports. He asked Mr. Ottesen if he has any suggestions to remedy that problem.

MR. OTTESEN said he does not. He said he was pointing out the difference so that people understand the problem. He commented that he recently purchased an airline ticket and realized the fare contained more taxes than he will pay in road taxes in one year. Airports charge fees at every turn that make those airports modern, efficient systems. He said a road is like a utility. There is no hook-up charge or charge for the degree of use. It brings traffic to private property and the property value goes up. Then, the road needs to be widened because of that success and the state must pay for the enhanced value that it created.

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MR. OTTESEN said that is a complication of the current system. He then told members that concludes his presentation. He

pointed out one of the biggest risks of his recommendation is it assumes the continuation of a high level of federal funds. He said he would like to talk to members about the bold ideas associated with the federal reauthorization; some would not be beneficial to Alaska.

CHAIR JOHANSEN asked if members had any final questions.

[No one responded.]

CHAIR JOHANSEN asked what would happen if DOT&PF inadvertently omitted a longstanding DOT&PF policy from the 2030 plan.

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MR. OTTESEN responded DOT&PF experienced that situation on an Iliamna-Nondalton project. The state court found that DOT&PF's plan was not in keeping with statute because no cost effective analysis was done for that project. DOT&PF had to re-open that plan, which was part of the long range plan. That process took about six months. The court allowed DOT&PF to proceed after the analysis was done. He said the long range plan is typically updated every five years and that it takes about two years to do an update because an update requires more public involvement. He said DOT&PF is now rushing because he does not believe the federal rules took into account some states' election cycles and that new governors would want to have input into their states' plans.

CHAIR JOHANSEN asked if DOT&PF could remedy an omission.

MR. OTTESEN said the amendment process allows changes to be made. He said the policy omission noted by Representative Johnson probably would not prevent it from being adopted but he believes that policy should be mentioned anyway as it is important.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:24 p.m.