

HOUSE FINANCE COMMITTEE  
February 11, 2010  
1:38 p.m.

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CALL TO ORDER

Co-Chair Hawker called the House Finance Committee meeting to order at 1:38 p.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair  
Representative Bill Stoltze, Co-Chair  
Representative Bill Thomas Jr., Vice-Chair  
Representative Allan Austerman  
Representative Mike Doogan  
Representative Anna Fairclough  
Representative Neal Foster  
Representative Les Gara  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Woodie Salmon

MEMBERS ABSENT

None.

ALSO PRESENT

Leo von Scheben, Commissioner, Department of Transportation and Public Works; Frank Richards, Deputy Commissioner of Highway and Public Facilities, Department of Transportation and Public Works; Jim Beedle, Deputy Commissioner of Marine Operations, Department of Transportation and Public Works; Laura Baker, Director, Administrative Services, Department of Transportation and Public Works;

PRESENT VIA TELECONFERENCE

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SUMMARY

HB 300      APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 300 was HEARD and HELD in Committee for further consideration. Overviews were presented by the following departments:

**Department of Transportation and Public Works**

HB 302      APPROP: MENTAL HEALTH BUDGET

HB 302 was HEARD and HELD in Committee for further consideration.

[1:38:47 PM](#) AT EASE

[1:41:26 PM](#) RECONVENE

#hb300

#hb302

HOUSE BILL NO. 300

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

HOUSE BILL NO. 302

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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Co-Chair Hawker discussed housekeeping.

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**DEPARTMENT OF TRANSPORTATION AND PUBLIC WORKS**

LEO VON SCHEBEN, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, offered the FY2011 Operating Budget Overview for discussion (copy on file). He shared the department's mission statement found on Slide 2 of the overview:

**Department Mission:** Provide for the safe movement of people and goods and the delivery of State services.

Department Core Services:

- The department is statutorily responsible for the planning, design, construction, maintenance, and operations of transportation facilities and buildings.

- Maintenance & Operations of State Transportation Systems: Highways, Airports, Alaska Marine Highway System, Public Facilities, Ports and Harbors and State Equipment Fleet.
- Measurement Standards/Commercial Vehicle Enforcement
- Transportation & Facilities Construction Program
- Program and Administrative Support

Commissioner von Scheben stated that the FY2011 governor's budget was \$236.2 million, and was distributed over three priority program areas; Maintenance & Operations of State Transportation Systems, Measurement Standards/Commercial Vehicle Enforcement, and the Transportation & Facilities Construction Program. He discussed Slides 3, 4, and 5, which illustrated the distribution details of the department's total general fund request:

**Maintenance & Operation of State Transportation Systems** was important to the safety of public use of the state's transportation systems; supported economic development in terms of travel industry, general public, and commercial vehicle transportation, etc. The total FY2011 governor's request was \$227,474.0.

**Results of Current Capacity:**

- In 2008 Alaska experienced 1.29 traffic fatalities per 100 million VMT, a decrease of 18.87 percent from 2007, and compared to the national 2008 average of 1.27.
- The work-related injury rate of department employees decreased from 4.7 on 2008 to 3.2 in 2008, a reduction of 31.9 percent.
- The Fairbanks International Airport's occupational injury and illness incidence rate increased from 12.1 in 2007 to 15.3 in 2008, which is above the national rate of 9.9.
- The rate of public injuries and incidents decreased from 1.7 in FY2007 to 1.2 percent in FY2008.
- Customer satisfaction with the Marine Highway System had stayed strong at 96.5 percent for the 5th year in a row, with a high percentage of respondents giving an excellent rating.

- Customer satisfaction in transportation services in 2008 compared to 2005 has remained constant at 80 percent.
- Government sector customer satisfaction had remained high at 94 percent for state equipment fleet and increased from 83 percent to 84 percent for facilities between FY2008 and FY2009.
- Rural airport revenues collected in FY2009 exceeded the target of 5 percent and increased by 6.3 percent over the prior year.

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Commissioner von Scheben continued to Slide 4:

**Measurement Standards/Commercial Vehicle Enforcement** reduces the risk of accidents or road damage from unsafe commercial vehicles and/or loads. The total FY2011 governor's request was for \$1,946.7 million.

**Results of Current Capacity:**

- 99.2 percent of the commercial motor vehicles that were inspected in 2009 were weight compliant.
- Fatalities resulting from accidents involving commercial motor vehicles decreased by 28.57 percent from 7 in 2007 to 5 in 2008, which is less than the 5 year average of 7.2 fatalities.

Commissioner von Scheben continued to Slide 5:

**Transportation and Facilities Construction Program** provides the planning and management of construction projects across the department. This includes major repair and rehabilitation of all transportation modes, and state owned facilities, operated and maintained by the State of Alaska. The total FY2011 governor's request was \$6,761.8 million.

**Results of Current Capacity:**

The percentage difference between bid and final contractor payments increased to 12 percent in 2009. By using the last three fiscal years for source date, the department has established a three year average of about 10 percent that was still short of the 8 percent goal.

Commissioner von Scheben listed the top accomplishments achieved by the department in 2009:

**Ted Stevens International Airport A & B Concourses:**

- Opened for business on November 2, 2009
- Passenger/Baggage screening centralized
- A & B Concourses 352,000 ft<sup>2</sup> renovation

**Fairbanks Passenger Terminal:**

- Opened May 7, 2009
- Authorized \$96.2M
- Cost \$92.3M

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Commissioner von Scheben cited Slide 8, which listed the Dowling Road Extension, the Sitka Roundabout, and the North Pole Interchange as areas of 2009 highway improvements. Slide 9 illustrated the Alaska Marine Highway System (AMHS) improvements:

- 92 percent on Time Departures
- 96 percent customer satisfaction level
- Schedule
- Winter '09/Spring '10 released July 17th
- Summer '10 schedule released October 1st
- Power Management/ Fuel Savings
- Alaska Class Ferry-STIP Funding Approved

Commissioner von Scheben continued to Slide 9, which was a photograph of the crew of the M/V Taku, receiving an award from the Coast Guard. The crew had rescued two people onboard a burning fishing vessel.

Co-Chair Hawker pointed out that the AMHS has been responsible for saving many lives, and that this was a most recent example of a long and distinguished history of helping vessels in need of aid. Commissioner von Scheben agreed.

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Commissioner von Scheben continued to Slide 11, which detailed achievements in the **Highway Safety Corridors**:

- Education
  - Include distracted and aggressive driving
  - <http://www.youtube.com/user/asthwsads#p/u>
  - <http://www.youtube.com/watch?v=yjmAy2Q4BRY>
- Enforcement
  - Bureau of Highway Patrol's 2nd year
- Engineering
  - Knik Goose Bay & Vine Rd; Knik Goose Bay & Fairview Loop Signals
  - Sterling Highway Rut Repair

Commissioner von Scheben explained that the department had 4 years of funding for the Highway Safety Improvement Program which, via the Department of Public Safety, placed highway patrol officers at the safety corridors. Palmer and Wasilla had also benefited from new stop lights and turnout facilities. He continued to Slide 12:

#### **Rumble Strips**

- Installed on the Richardson Highway-2009
- Highway Safety Corridors-to be constructed in 2010

Commissioner von Scheben cited Slide 13, which illustrated safety projects elsewhere:

#### **Pedestrian Countdown Signals**

- Reduce pedestrian crashes by 25 percent
- Started in Anchorage & Fairbanks in 2009
- 2010 complete Anchorage, Matsu and Kenai

Commissioner von Scheben stated that the department had found that pedestrian countdown signals had a significant effect in improving pedestrian safety. He continued to Slide 14:

#### **Emergency Response**

- Flooding

- Portage Road to Whittier Tunnel
- Highway Erosion

Commissioner von Scheben directed attention to Slides 15, 16, and 17, which contained photographic images of several of the aforementioned emergencies.

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Commissioner von Scheben continued to Slide 18, which showed that the department had worked with legislators through committee meetings, House Transportation Committee education, and a Dalton Highway trip. Slides 19 & 20 contained photographs of the various meetings with members of the legislature. Slide 21 continued the list of DOT&PF successes:

- Fatality rate dropped over 24 percent between 2006 and 2007
- ARRA and regular program
- Department safety
  - 3.2 injuries/illness per hundred employees
- Team Approach- DOT&PF and Consultants

Commissioner von Scheben explained that a year ago the department had been tasked with the job of getting \$250 million obligated for construction programs within one year. As of February 5, 2010, every dollar had been obligated. Slide 22 contained a chart which illustrated the "Team Approach-DOT&PF and Consultants". He cited 2006 and 2007 as examples of particularly successful years.

Representative Gara asked about the Rumble Strip Project. He wondered if the lack of rumble strips along highways was contributing to the instances of accidents.

FRANK RICHARDS, DEPUTY COMMISSIONER OF HIGHWAY AND PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, responded that the majority of accidents along the highway safety corridors were due to inattentive drivers. The department believed that the replacement of the rumble strips in the highway safety corridors would prevent accidents.

Representative Gara thought that the strips should be place along the major portion of the state highway system for a minimal cost. He expressed concern to limiting the rumble strips to only the highway safety corridors. Mr. Richards

stated that the projects in the presentation were limited to projects that would be completed in the summer of 2010, and that the areas were chosen by the rates of fatalities. The use of fog line side rumble strips were being considered for other areas of the highway. He said he would get back to the committee with the cost of the project. Representative Gara said that the numbers would be appreciated.

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Co-Chair Hawker wondered where the funds came from for the Alaska Highway Safety Office grants, and what the money was being used for. Mr. Richards responded that the funds were a combination of regular STIP program funds, and federal dollars allotted to address specific highway safety needs. The two combined federal fund sources allowed the department to address safety needs through grants to the Bureau of Highway Patrol and the Alaska State Troopers. Since the inception of the Bureau of Highway Safety Patrol the trend lines had shown less major injury accidents.

Co-Chair Hawker stated that in the Department of Public Safety (DPS) budget there was an earmark for funding 5 trooper positions, the fund source was the AHSO/CIP funds. He wondered how long the funds could be relied upon. Mr. Richards replied that the department was in the second year of a 4 year grant. Co-Chair Hawker asked if the state received the same, or an increasing amount, each year. Mr. Richards replied that it was the same amount each year. Co-Chair Hawker wondered how the grant could fund 5 new troopers this year, when it was spent on something else last year. Mr. Richards thought that the funds had been spent to recruit and train people for the trooper positions.

Co-Chair Hawker pointed out to the committee that DPS had listed the request as a new increment to their base in this year's budget. He thought that the point would need to be clarified as the committee when further with the process. He asked about Slide 17, which pictured the road near the Whittier Tunnel. Mr. Richards clarified that the image was of 400 thousand cubic yards of United States Government rock. Co-Chair Hawker asked who owned the rock. Mr. Richards replied that the rock came from the adjacent landowner, Chugiak National Forest, and fell onto the state asset in the slide. State resources were used to clean up and stockpile the rock. Co-Chair Hawker referred to a 2 million dollar supplemental request to remove the government rock from the state road. Mr. Richards said the request was for \$2.3 million. He added that the department received a portion of the rock from the Forest Service, and it was now a state asset.

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Co-Chair Hawker asked if the exchange value for the rock received was equitable to the work and effort performed by the department to remove it. Mr. Richards was not sure of the quantity of rock received by the state. He thought it broke down to approximately \$5.30 per cubic yard. Co-Chair Hawker asked if recourse could be taken for federal rocks falling on state roads, rather than the state footing the clean-up bill. Mr. Richards said that there may be an easement issue involved. Co-Chair Hawker requested a follow-up on the issue. Mr. Richards said that there had been a "lively" conversation with the adjacent landowner to seek some share in the cost of the clean-up, but to no avail.

Representative Fairclough noted that the state was spending equal amounts of money on highways and the marine highway. She wondered how many people travel on the highway vs. the marine highway.

JIM BEEDLE, DEPUTY COMMISSIONER OF MARINE OPERATIONS, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, responded that the 2008 annual traffic volume report reflected that 340,000 passengers, and 109,000 vehicles, traveled on the AMHS. He stated that comparing the two was difficult.

LAURA BAKER, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, added that the statistics concerning the modes of transportation could be provided at a later date.

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Representative Fairclough said that \$140 million was spent in FY2009 in the AMHS and \$153 million was spent on highways. She understood that services needed to be provided to coastal communities, but wanted to know what was being done to maintain the road system, which she believed used for 90 percent of the travel in Alaska. She thought costs could be streamlined in the AMHS.

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Representative Fairclough asked about the department's \$6.1 million travel budget. Ms. Baker replied that given the transportation needs across the state, and the lack of duty stations in every location of construction, a significant amount of travel was necessary in order for staff to relocate to various projects. She said that a more detailed breakdown of the travel budget could be provided at a later date.

Representative Fairclough asked about the auditing of federal monies and grants.

Co-Chair Hawker interjected that the state had spent money in anticipation of receiving grant money, and then were unable to realize the entire amount the state had spent in anticipation of receiving a full federal award.

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Representative Fairclough wondered how often the federal receipts were audited.

Ms. Baker replied that it was difficult for departments that were receiving federal receipts to "get it down to the penny", as the state fiscal year and the federal fiscal year closed a different times. She listed ways in which the departments were taking action; capable accountants were overseeing the operating and capital dollars, and the legislative audit group came in once a year to evaluate federal compliance. Federal dollars that were coming in to the department were coming in on the capital side, which were for longer term projects, not the annual operating costs that were built into the base budget. Obligation, in the sense of federal grants, was unique because the department had to list projects before money was granted.

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Representative Fairclough asked if the state had a reciprocal agreement with the federal government to provide free transportation for federal employees or other groups traveling from out-of-state. Mr. Beedle explained that certain employees of the federal government could apply for free passes. The passes were available for under work status only and uniforms must be worn at least twice a day. Most of the passes were on a space available basis and were negotiated in union contracts. Children were included; up to age 18. Marketing passes existed for people writing travel logs or books. Shore side people could receive business passes.

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Representative Fairclough inquired about the aviation component of the budget, specifically that the volcano observatory, which had requested a backfill of federal dollars because the federal resources were not going to be available. It was suggested that the state should take responsibility for the observatory funding, to ensure safe international air travel. She wondered why the airport was not contributing to the observatory personnel fees. Commissioner von Scheben was aware of the situation, but did not believe that the Anchorage airport had been approached for the funding.

Representative Fairclough asked if the department had considered the expense of the observatory when examining airport expenses. She wondered about the details involved in the possible absorption of the costs. Commissioner von Scheben said he would get back to the committee with the information.

Representative Fairclough said that general fund dollars were being requested for the observatory and if it would directly affect the airport it may be a cost that could be shared, or transferred in some way, to those that use the airport that depend on safety in that particular flight pattern.

Commissioner von Scheben recalled a discussion on the issue on the national level, including talks of a congressional group that was trying to secure funding for the observatory. He reiterated that he would provide the committee with more information at a later date.

Co-Chair Hawker reiterated why should the legislature appropriate general fund money to pay for the maintenance and operation of the Alaska Volcano Observatory, when it exists to provide air traffic safety internationally, and was traditionally federally funded. Ms. Baker assured the committee that she understood the question and would research the issue.

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Representative Gara reiterated the request for information on the cost of a statewide rumble strip program. Mr. Richards replied that fog and center line rumble strip plans were already planned for the major routes of the national highway system.

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Representative Joule stated that the community of Ambler had naturally occurring asbestos which made finding a clean gravel source challenging. The closest clean gravel source was 30 miles away and roads would need to be built in order to haul gravel. He asked if it would be more beneficial to the community to pave a runway, than build a road. He stressed that the ability of the community to spend capital dollars was hindered by the naturally occurring asbestos. Mr. Richards stated that the naturally occurring asbestos was a problem in other locations throughout the state. Over the last few years the department had been examining dust palliatives to determine what would have longevity on roads and runways. The department felt that the reoccurring application of the dust palliatives would more cost effective in the long run.

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Representative Doogan questioned the Capital Improvement Project Receipts for \$132.6, which was found on the pie chart on Slide 30. Ms. Baker said that the capital improvement receipts on the chart reflected the personal services costs of staff, within the operating budget, which were spending time on the details of a capital project. Representative Doogan understood that the department was shifting money from the capital budget to the operating budget to cover the costs. Ms. Baker said that when an estimate for a project is projected it included what the internal staff time would be, as well as the external instruction costs like equipment and supplies. Under statutory authority the department had to report personal services operating position costs in the operating budget.

Ms. Baker continued. The Highway Working Capital Fund was the funding for the management of the state equipment fleet.

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Representative Doogan thought that the department's travel budget was expensive and requested more information on travel spending.

Representative Austerman understood that \$10 million had been aside for the rebuild of the road in Kodiak between the Coast Guard base and downtown. The project had cost \$7 million. He wondered where the other \$3 million would be spent. He suggested the funds could be used for maintenance at the state airport in Kodiak. Commissioner von Scheben replies that leftover funds would be redistributed throughout the state. Mr. Richards added that the competitive nature of the bids for stimulus projects had resulted in many projects coming in below the engineers estimate. The department had come to the legislature to have the funds used for other projects that were ready to begin. The oversights placed in projects, by state legislation, required both Title 23 eligible work, and LB&A authorization.

Representative Austerman asserted that stimulus money was intended to be used for projects that created jobs. Intent language was put into the legislation in an attempt to create smaller projects that local companies could bid on as well as the larger companies in the state. He lamented that the stimulus money, in the case of the Kodiak road, had created only five jobs. He expressed frustration that small construction companies in his community did not have the bonding ability to contend for the larger projects.

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Commissioner von Scheben responded that the department was held to regulations when obligating the stimulus dollars within a very short timeframe. Sometimes the simplest projects, which do not generate a lot of jobs, but can be accomplished sooner, take priority.

Representative Austerman disagreed with the department's approach. He felt that when one major construction company was moved from community to community to do the work, local people missed out on the opportunity for the jobs.

Representative Fairclough asked if there had been an increase of contractors from out-of-state bidding on DOT/PF projects. She also wondered how often the scales that weigh baggage at the airports were checked for accuracy. Commissioner von Scheben did not think the bidding by out-of-state contractors was increasing. He listed current outside contractors being used. He noted that the contractors were hiring locally and using local sub-contractors. He said that he could get back to the committee with more information concerning the weights and measures at airports.

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Mr. Richards stated that a significantly larger number of firms, both Alaskan and out-of-state, bid on the stimulus projects. He recalled that the only stimulus projects awarded to outside firms were the Akiachak Airport project, and the project at Trump Road, which went to a Washington firm.

Co-Chair Hawker probes the issue of state competition against the private sector. He questioned if the department should be divested of the responsibility of pile drilling operations, which could then be awarded to the private sector. Mr. Richards replied the department is occasionally required to rent the equipment it needs from the private sector in order to drill the post holes. The department was in charge of the routine replacement of the rail itself. He asserted that the department was not as efficient as a private contractor, who was set up with the necessary equipment to perform the guard rail installation. He relayed that the department put out contracts for repair and replacement of guard rails, but did the minor work independently. He acknowledged the issue was a long-standing one, but added that the work done by the department with state account forces and state equipment was a "fraction of a decimal point of the entire capital budget."

Co-Chair Hawker pointed out the relative economic scale that should be taken into consideration when comparing a state department with a small business.

Mr. Richards agreed. He added that it was shown in the operating budget that the CIP receipts had allowed for the retention of equipment operators and mechanics, on a yearlong basis, which might not be possible without the general funds to keep them employed. Co-Chair Hawker understood that more state employees was a good thing. Mr. Richards responded that the retention of existing employees was a good thing.

Co-Chair Hawker queried functional allocation of expenditures across all budgets. He expressed frustration with the reining in of the operating costs of the various agencies. He noted the growth in the department's budget in travel and personnel costs. He asked what would happen if the funds in those two areas were cut by 10 percent, and how would the department implement the legislative cuts.

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Commissioner von Scheben replied that taking 10 percent off the top would result in less travel, but that performance would go down as well. For example, the commissioner was based out of Anchorage, but traveled to Juneau for business. He added that cuts to the budget would affect the core competencies of the department.

Co-Chair Hawker asked what was done in the private sector when there was not enough revenue to cover expenses. Commissioner von Scheben responded that people would need to be laid off and that would mean giving up some of the competencies of the group. Co-Chair Hawker wondered what the key people in the department would cut in order to save money. Commissioner von Scheben shared that he had been through the budget process through two administrations. During those times cuts to the budget were constantly considered and budget growth was never an option. He stressed that over the last 3 years the budget had been cut so much that the next cuts would be to the core services provided by the department.

Co-Chair Hawker noted that the department was up \$30 million in two years. He wondered how there could have been cuts made, and a 7 and a half increase in the budget.

Commissioner von Scheben opined that the budget request was high due to increased wages from union negotiations. He said that union increases were expensive. He asserted that for the last three years he had been told by the administration to make more cuts.

Co-Chair Hawker said that the legislature had honored the collective bargaining settlements conducted by the administration. He felt that at the current rate of spending, the state would soon be in a deficit.

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Representative Austerman spoke of recent mudslides in Kodiak due to heavy rains. It was reflected in the supplemental budget that \$500,000 of general fund dollars would offset the cost of the clean-up. He noted that the incident had been declared a federal emergency and wondered how many federal dollars had had been awarded to aide in the clean-up. He said that the district filled cracks in the highway every three years, in the meantime the cracks filled with water, which froze and cracked the roads. He hoped that the district was getting enough money in the budget to deal with the problem.

Mr. Richards replied that the \$500,000 received was for the general funded needed work. He did not have the number that the federal government had agreed to pay for the mudslide emergency. The Federal Emergency Management Agency (FEMA, would pay for any work above and beyond what the department was normally budgeted for. He added that the amount that would be paid out was dependent on the where the impact occurred, and the type of road involved.

Representative Austerman asked if the department could provide documentation of the numbers so that he could ensure his district would be paid pack for the clean-up. Mr. Richards replied that the district would not be expected to cover the cost of the emergency with operating funds. He said that the cost accounting figures would be collected internally and cover of the costs would be requested by the department in the supplemental.

Representative Austerman argued that the mudslide emergency cost exceeded \$500,000. He wanted to know how much the federal government was going to contribute to the emergency. Mr. Richards said he would provide the numbers.

Ms. Baker continued to Slide 23, titled **"DOT&PF Challenges"**:

- Uncertainty and timing of adequate funding levels
- Replacing our aging workforce as large number of employee are approaching retirement age
- Cost of doing business continues to go up

Ms. Baker said that the fuel trigger was currently funded by a mechanism in the operating budget and was not included in the base funding from year-to-year.

Co-Chair Hawker stated that the fuel trigger points were being reassessed and would be an important component of Ms.

Baker stated that 30-40 percent of the department's workforce was primed for retirement. Bids were rumored to be coming in lower in the area of contracts, however, core service costs continued to rise. Ms. Baker continued to Slide 24, which was an update on the \$12.7 million that was added on the senate side in 2009, titled **"FY10 Maintenance & Operations"**:

- Maintain 15,221 lane miles, 256 airports
- M&O is half of DOT&PF's GF budget
- \$1.5M Facilities FY10 increment:
  - \$172.6 to avoid supplemental
  - \$1,309.7 for increased service
- \$11.2M Highways & Aviation FY10 increment:
  - \$2,550.1 to avoid supplemental
  - \$8,689.1 for increased service

Ms. Baker stated that \$1.5 million of the dollars went toward facilities, and \$11.2, toward aviation. Approximately \$10 million was used to increase service capacity on existing infrastructure, and \$2.7 million was used to avoid ongoing supplemental needs. Slide 25 illustrated further how the funds were spent:

- Central Region Highways & Aviation \$4,264.4
  - \$1,617.6 Avoid Supplementals
  - \$2,646.8 Higher Level of Service
- Northern Region Highways & Aviation \$5,412.1
  - \$554.0 Avoid Supplementals
  - \$4,858.1 Higher Level of Service
- Southeast Region Highways & Aviation \$1,552.7
  - \$378.5 Avoid Supplementals
  - \$1,184.2 Higher Level of Service

Ms. Baker stated that the handout only represented the highway and aviation portion, the facilities detail could be provided upon request. She continued to Slide 30, which was a pie chart that illustrated the funding source breakdown for the department. She highlighted that the \$54.2 million for the Marine Highway Fund was part of the \$64 million difference in the general fund categories. The International Airport Revenue Fund was funding the Anchorage and Fairbanks International Airport. Slide 31 detailed the \$236.2 million of general funds. Slide 32 was a bar graph demonstration of the FY10 capital and operating budget. Ms. Baker relayed that the main concern in local district areas related to

highway and aviation; specifically access, safety and transportation. Fifty percent of the resources in the operation budget were to be used in those areas. Thirty-Five percent of the funding was going toward the marine highway system. Other funds were slated for administration & support, measure standards & commercial vehicle enforcement, design and construction, and facility maintenance and operations.

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Representative Austerman referred to Slide 32. He understood that \$850 million was expected to be coming from the federal government. Ms. Baker replied in the affirmative.

Ms. Baker continued to Slide 33, which was a spreadsheet of the budget request. She detailed the increases and broke down the budget. She explained that of the traditional general funds, \$3.1 million was for the marine highways, which had 3 bargaining units up for a 4 percent increase, with a \$148 increase to their health insurance. Ms. Baker said that in looking at the incremental changes, the department had \$2.8 million in traditional general fund request, \$2.2 of which was in highways and aviation. She asserted that the budget for FY2011 was flat in theory, and that the majority of the requests were to meet regulatory compliance expectations. Slides 34-41 related to the increases that relate to the \$2.8 million dollar general fund incremental.

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Ms. Baker referred to Slide 29, and noted that discharge was an issue. Two state positions at \$188,000 would handle permit compliance and oversee the program.

Representative Fairclough queried the issuance of a private sector contract for street sweeping. Mr. Richards replied that there had been one contract for sweeping a portion of the state's road assets in the municipality of Anchorage; the contract had an end completion date in August, but was not performance based. He added that the new multi-sector permit that went into effect February 1, 2010 required that all roads in Anchorage be swept twice before June 1, with another two sweepings before first snow in the fall. He noted that the higher sweeping sequence was mandated by EPA and that the existing level was negotiated through aggressive consultation.

Representative Fairclough thought the operating costs were high. She questioned whether the state should invest in its own equipment. Mr. Richards replied that the funds for street sweeping would be contracted out to the private

sector with the specific performance milestones required by the permit.

Representative Fairclough asked whether the two state workers, along with retirement benefits would go into the operating budget. Mr. Richards concurred. The two state workers would be responsible to meet state requirements. In addition to street sweeping; mapping of drainage systems, placement of the geographical information system, and numerous permit stipulations would need to be met.

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Representative Kelly wondered what would happen if the state insisted on sweeping all roads without involvement from the federal government. Mr. Richards replied that the commissioner of the department would be put in jail and the state would face fines of \$25,000 per day for non-compliance.

Representative Kelly thought that the state should have the right to sweep its own streets. He wondered whether the federal requirements bothered the department.

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Co-Chair Hawker shared Representative Kelly's frustrations.

Representative Doogan thought that street sweeping in past years had been lacking. He expressed appreciation that the department would change the contract so the streets would be safer. Commissioner von Scheben acknowledged that a mistake had been made in the writing of past specifications for the street sweeping. The timeframe had not included staging. He stated that the mistake had been corrected.

Vice-Chair Thomas pointed out that in the past, Representative Doogan had wanted snow removal equipment in the budget. The item had been added, but was expensive.

Ms. Baker continued. She shared that the department had some satellite communications contract work to buy additional bandwidth for marine line vessels for business purposes. The equipment had been installed with federal dollars, and would allow all vessels active contact with the shore. The final request was for \$500.0 thousand for the Bellingham Terminal Facilities Lease Increase.

Co-Chair Hawker urged a frugal approach to the implementation of telecommunication equipment on nautical vessels.

Ms. Baker concluded the presentation. She stated that the department would compile and distribute responses as soon as possible.

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ADJOURNMENT

The meeting was adjourned at 3:30 PM