

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

February 5, 2009

1:03 p.m.

**MEMBERS PRESENT**

Representative Peggy Wilson, Chair  
Representative Craig Johnson, Vice Chair  
Representative Kyle Johansen  
Representative Cathy Engstrom Munoz  
Representative Mike Doogan  
Representative Max Gruenberg

**MEMBERS ABSENT**

Representative John Harris

**COMMITTEE CALENDAR**

OVERVIEW: DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES  
(DOT&PF) - TRANSPORTATION ASPECTS OF THE FEDERAL STIMULUS  
PACKAGE

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

FRANK RICHARDS, Deputy Commissioner  
Office of the Commissioner  
Department of Transportation & Public Facilities (DOT/PF)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during a PowerPoint presentation on the Transportation Aspects of the Federal Stimulus Package.

RON KING  
Capital Programs  
Division of Program Development  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of the Transportation Aspects of the Federal Stimulus Package.

JEFF OTTESEN, Director  
Division of Program Development  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** Testified and answered questions during the discussion of the Transportation Aspects of the Federal Stimulus Package.

CHRISTINE KLEIN, Deputy Commissioner of Aviation  
Office of the Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
**POSITION STATEMENT:** Answered questions during the discussion of the Transportation Aspects of the Federal Stimulus Package.

#### **ACTION NARRATIVE**

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**CHAIR PEGGY WILSON** called the House Transportation Standing Committee meeting to order at 1:03 p.m. Representatives Johansen, Doogan, Johnson, and Wilson were present at the call to order. Representatives Munoz and Gruenberg arrived as the meeting was in progress.

#### OVERVIEW OF THE TRANSPORTATION ASPECTS OF THE FEDERAL STIMULUS PACKAGE

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Chair Wilson announced that the only order of business would be a presentation and overview of the Transportation Aspects of the Federal Stimulus Package by Department of Transportation & Public Facilities (DOT&PF).

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FRANK RICHARDS, Deputy Commissioner, Office of the Commissioner, Department of Transportation & Public Facilities (DOT/PF), began his presentation by informing members that the Congress is appropriating approximately a year's worth of transportation spending in approximately two weeks. He outlined funding levels, and noted differences in the U.S. House of Representatives and the U.S. Senate versions of the federal economic stimulus package in HR 1. He mentioned that the Department of Transportation & Public Facilities (DOT&PF) has been impacted due to the time zone differences between Alaska

and Washington D.C. area. He explained that the Congress has imposed stringent rules that the DOT&PF must adhere to for use of the economic stimulus package, as well as the significant challenges the department will have to "get the projects out on the street" in a timely fashion. He offered that he will also cover the selection process, and some specific fund sources that the Congress has designated that are outside of the DOT&PF.

MR. RICHARDS offered that his presentation outlines impacts for their consultants, who assist the DOT&PF in developing the projects. He offered that the goal of the economic stimulus funding is to revitalize the economy and put Alaskans to work on the backlog of transportation infrastructure. He emphasized that some projects have not been completed due to the reductions in federal funding over the past few years in the Federal Highway Administration (FHWA), as well as inflationary impacts on the cost of construction materials. He stressed the growing deferred maintenance backlog across the modes that affect the highway, aviation, ports, and harbor programs as well as facilities. He opined that all the DOT&PF maintenance has suffered due to funding problems. He opined that the additional monies in the federal economic stimulus funding will be a great help to Alaska, and could relieve some of the DOT&PF's backlogs. He mentioned the DOT&PF previously has identified infrastructure needed for a proposed gasline to the legislature.

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MR. RICHARDS offered to explain the "rules of the road." He explained that the federal economic stimulus package funds will come through the existing formula programs. The Congress will not bypass the existing modal transportation programs that are in place under the federal highway, transit, or aviation administrations, he highlighted. He reiterated that the "stimulus package" will follow existing formulas in place and will flow to the state DOT&PF's for distribution. He stressed that the DOT&PF must follow all federal regulations and restrictions on the use of the funds. That means the development of those funds must also be done in compliance with the federal processes. He further stressed that Congress did not relax rules such as the National Environmental Policy Act of 1969 (NEPA) process for environmental concerns, the Uniform Process for Right-of-Way purchases, or the wetlands permit process. Therefore, the DOT&PF must comply with all the federal laws, which poses challenges for the department, he related. Lastly, he stressed that the federal legislation emphasizes that

the "stimulus" monies are to be spent in areas that have been deemed economically distressed regions.

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MR. RICHARDS, in response to Chair Wilson, answered that the Congress did not want to relax any rules since "fast action" has been deemed necessary. Thus, Congressional leadership wanted to avoid any debate that might have "tied up the bill."

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MR. RICHARDS, in response to Representative Johnson, explained that if the project is a Federal Highways Administration (FHWA) project, the state already adheres to the federal guidelines with respect to the environmental, right-of-way (ROW), and design processes. Thus, the DOT&PF cannot select a state project that has not adhered to the process. Therefore, a limited number of projects are available for the federal economic "stimulus funding." In further response to Representative Johnson, Mr. Richards agreed that the projects funded from the general fund (GF) are also excluded from the economic stimulus funding. He pointed out that one benefit of using the GF funding is that many of the processes can be done in parallel tracks, such as preparing the environmental document at the same time that the design work is being done. He also mentioned that with GF projects, the DOT&PF can purchase ROW as it performs the design work. Thus, the projects can quickly advance through the development stages up to the point of construction. However, under the federal process the project must proceed in a specific sequence consisting of environmental, design, and ROW components prior to construction. Thus, the projects currently under consideration are those projects that have already been subject to the State Transportation Improvement Program (STIP) process. Mr. Richards identified the STIP as part of the process that the DOT&PF uses to seek legislative authority to proceed through the design steps.

REPRESENTATIVE JOHNSON asked whether any projects that the SOA is currently funding could be funded by the federal stimulus funds instead.

MR. RICHARDS answered no, that each governor must certify that he/she will not remove state monies and insert federal funds instead.

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MR. RICHARDS, in response to Representative Johnson, explained that the Congress, in the House version, HR 1, encourages projects to be selected for economically distressed areas. He further explained that under the United States (US) code, economically distressed areas are defined as those areas with an unemployment rate that is one percentage point higher than the national average. In Alaska, all areas of Alaska meet this definition except for the North Slope Borough, the Fairbanks North Star Borough, the Municipality of Anchorage, the City and Borough of Juneau, the City of Sitka, and the Ketchikan Gateway Borough.

MR. RICHARDS referred to a slide on page 3 of the handout, titled "DOL Unemployment Data", which he said lists the areas of the state along with current unemployment rates in each area. He read some unemployment rates as of December 2008, such as the Yukon-Koyukuk at 16.2 percent, the Aleutians East at 20.8 percent, and the Prince of Wales-Outer Ketchikan at 16.5 percent. He related that the slide represents emphasis areas, yet the proposed legislation does not prescribe that a defined amount of money must be spent in the economically depressed regions of the state.

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MR. RICHARDS, in response to Representative Doogan, offered that the language in the federal bill acts as essentially intent language from the Congress to the state DOT&PF's that instruct them to identify projects that meet the goal of the economic stimulus package, which is to create jobs in the economically distressed areas nationwide. Thus, the DOT&PF's goal in Alaska is to identify projects which will create jobs in areas with the highest level of unemployment in the state.

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MR. RICHARDS referred to a map titled "Alaska Construction & Transit Projects Stimulus & STIP 2009". He explained that 60 percent of the projects listed on the map fall within the federal definition of economically distressed areas. Thus, many projects are statewide rural projects. He identified mainline highway projects include projects on the Parks, Richardson, and Alaska Highways. However, he specified that some projects fall in the urban areas or Southeast Alaska. Other projects fall within the North Slope outside of the economically distressed areas. He reiterated that Congress did not give the DOT&PF a

defined figure that it must meet. In further response to Representative Doogan, Mr. Richards explained that his presentation will also cover funding in both the House and Senate versions of the federal bill, as well as specific statewide projects that the DOT&PF has identified.

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REPRESENTATIVE MUNOZ related her understanding that the Lynn Canal Highway project is currently under litigation. She inquired as to whether that project is eligible for the economic stimulus funding.

MR. RICHARDS responded that the DOT&PF is awaiting a ruling in the lawsuit. He explained that the legislature has provided approximately \$110 million from federal and state funding sources to construct the first portion of the road. He pointed out that state funds can not be replaced with new federal funds for the project. He indicated that a portion of the project that still needs work is the road work north of Slate Cove.

MR. RICHARDS referred to slide 6, titled "Use or Lose Provision". Under HR 1, the Congress demands fast use of funds, such that 50 percent of funds must be used within 90 days or funding will be redirected to other states, he stated. He pointed out that the DOT&PF has identified more projects in Alaska than the projected designated funding. Additionally, it is possible that Alaska may be able to use other states' monies, he surmised.

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MR. RICHARDS, in response to Representative Johnson, answered that the House version of HR 1 states that economic stimulus funds must be obligated within 90 days to meet the "use or lose" provision. He reiterated that the DOT&PF must enter into a contract that it has followed all the processes up to the point of actually letting a bid award with a contractor. At that point, the FHWA can certify that Alaska has met Congresses' guidelines. He mentioned that the DOT&PF's goal is to award bids for the 2009 construction season.

REPRESENTATIVE JOHNSON asked if it would be realistic to complete the design and award a bid within 90 days.

MR. RICHARDS answered that the DOT&PF has projects that are designed and the department is actively working on projects to

ready them to the point of letting the contract to prospective bidders. He related that the object is ensuring that the "bureaucracy background" is completed so the DOT&PF can advise the FWHA that it has met the requirements. He explained that the DOT&PF will complete a STIP amendment, which he anticipated would be released in a few days. He highlighted that the STIP amendment process takes 90 days so the DOT&PF has competing efforts for its staff to accomplish the tasks. He mentioned that the DOT&PF's staff is working many hours to accomplish the necessary tasks to enable the state to use the economic stimulus funds.

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CHAIR WILSON related her understanding that to meet eligibility, that the DOT&PF must have undergone the environmental assessment process, obtained the necessary permits, and designed any of the projects.

MR. RICHARDS agreed with Chair Wilson. Additionally, he related that the right-of-way process to ensure land is owned by the SOA must also be completed. He highlighted that the projects must be at the stage of construction. In further response to Chair Wilson, Mr. Richards acknowledged that the projects would not have gone out for bid award since the DOT&PF must have the funding for the projects. He pointed out that the Senate version of HR 1 has different timelines than the House version of the bill, which he offered to review.

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MR. RICHARDS, in response to Representative Johnson, answered that the DOT&PF must obligate at least 50 percent of the funding allocated to the state within 90 days. Additionally, the funding not used in the first 90 days, must be obligated by 2010.

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REPRESENTATIVE JOHANSEN recalled the legislature funded a large Capital Improvement Projects and that a General Obligation (GO) bond proposal also passed last year. He asked what will happen to capital budget project timelines given the limited number of DOT&PF staff and the huge commitment required to handle the federal stimulus funding projects.

MR. RICHARDS answered that the DOT&PF is working with the individual design squads, and the consulting community to determine how to use outside resources to advance the projects "already in the pipeline." The DOT&PF has examined the General Obligation bond package and the effort needed to reach the point of construction. He surmised that most of the GO Bond projects are in the design phase for the next 12 to 18 months. He again noted that the DOT&PF is in the process of compiling bid documents that meet state standards on those projects so they can be put "out on the street." He related that the DOT&PF has been holding discussions to ascertain the workflow for the consulting community and contractors, and how to work together to achieve efficiencies to use the federal funding. He said that the DOT&PF staff is energized and "rising to the occasion."

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REPRESENTATIVE JOHANSEN inquired as to whether the construction industry is "stretched out pretty far now." He surmised that the DOT&PF assesses the construction industry levels.

MR. RICHARDS recalled that the DOT&PF has held conversations, even in advance of the proposal for federal economic stimulus funding, with construction companies in Southeast and Interior Alaska. He related that the proposed stimulus funding projects have good geographic distribution stretching from Prudhoe Bay to Ketchikan. He said that due to the geographical distribution of projects, contractors have the capabilities of performing the work. He mentioned that the DOT&PF has noticed more competition on recent bids for facilities. He highlighted that Alaska has seen a downturn in some industries, but the federal spending will help to "ramp up" the economy and provide more job opportunities.

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CHAIR WILSON surmised that what was not stated is that the DOT&PF will need to import contractors from the lower-48.

MR. RICHARDS answered that the DOT&PF will not preclude anyone from bidding, but the federal economic stimulus funding is a nationwide package that will affect contractors across the nation. He mentioned that price of asphalt last summer and the high cost of oil that adversely impacted the refining process of asphalt. Since more effort went into refining fuel than for asphalt use, the prices of asphalt stayed high, he surmised. He highlighted that the Flint Hills Refinery desires better

economics. He expressed concern whether enough asphalt will be available.

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MR. RICHARDS, in response to Representative Doogan, referred back to slide 7, titled "Maintenance of Effort". He offered his belief that Governor Palin is in favor of federal funding to provide for transportation needs that have a benefit for the nation. In this case, the Dalton Highway, and portions of the Alaska Highway are projects that can help in preparation of Alaska gasline.

CHAIR WILSON, in response to Representative Doogan, recalled Governor Palin said that she is overall against the federal stimulus package, but if other states are taking advantage of the funding, that she would also do so.

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REPRESENTATIVE DOOGAN inquired as to whether Mr. Richards is confident Governor Palin will take the necessary steps to certify the funding in order for the state to qualify.

MR. RICHARDS responded that he was instructed by the governor to identify the challenges that the DOT&PF has with respect to the conditions in HR 1. He said that the provision for certification has recently come up and that he has not had a direct conversation with the governor about it. He highlighted that the DOT&PF is tracking the legislation and that new requirements are added on an hourly basis.

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REPRESENTATIVE JOHNSON inquired as to whether some stimulus funds could be appropriated directly to communities.

MR. RICHARDS stated that he will address that during this presentation.

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MR. RICHARDS reiterated that the certification referred to slide 7, titled "Maintenance of Effort". He explained that governors are required to certify that the state will maintain state funding scheduled for highways, which must extend to September 2010. He related that many other states have state funded

programs and rely on gasoline tax revenue to provide funds for their highway programs. However, the downturn in the economy and fewer people driving has resulted in less income for many states. He opined that less gas tax collected places some states in a difficult position. Some states are voicing their concern about the time constraints in the proposed bill, since non-certification will trigger a loss of funds entirely.

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MR. RICHARDS referred to slide 8, titled "Big Picture", pointing out that out of an \$829 billion stimulus total, \$45 billion is scheduled for transportation. He said he guesses that Alaska would receive about \$500 million for highways, aviation, and transit programs.

MR. RICHARDS referred to slide 9, titled "How Much Funding", and stated that HR 1, the House version, is much better for Alaska. He pointed out that in terms of highway and aviation funding projects, the state would receive substantially more funding. He pointed out that set asides exist for Anchorage Metropolitan Area Transportation Solutions (AMATS), and the Fairbanks Metropolitan Transportation System (FMATS), which receive about 10 percent for both communities in total. He offered that funding is for use on roads in those communities. He related that funding for enhancements is set at \$7.4 million for sidewalks, bike paths, and waysides.

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MR. RICHARDS, in response to Representative Gruenberg, offered to provide the committee with a legal definition of enhancements.

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MR. RICHARDS continued by stating that in the House version of HR 1, that the state's share for highways and bridge assets is estimated at \$187 million.

MR. RICHARDS, in response to Representative Gruenberg, stated that "CMAQ" refers to congestion mitigation and air quality. He related that the House version does not contain a specific amount, but the Senate version is set at \$79.6 million. In further response to Representative Gruenberg, Mr. Richards explained that CMAQ identifies when portions of the state do not meet air quality designations.

RON KING, Capital Programs, Division of Program Development, Department of Transportation & Public Facilities (DOT&PF), answered from the audience that Anchorage's air quality is fine, but that Juneau and Fairbanks have some issues.

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MR. RICHARDS explained that the issue that Juneau has is in the Mendenhall Valley from wood smoke, as is the problem in Fairbanks. He related that HR 1 would provide \$74 million for transit, with AMATS designated to receive \$40 million for transit opportunities. He mentioned a subset for \$9.5 million for vehicles such as buses and commuter vans, and about \$25.8 million for ferries and trains. He reiterated the funding time constraints.

MR. RICHARDS highlighted the funding in the Senate version of HR 1. He related that the Senate version reduces the funding for bridges to \$131.5 million, of that \$23 million for AMATS, and \$5.1 million for FMATS, zero funding for enhancements, and \$5.2 million for CMAQ, with approximately \$80 million for state and non-MPO roads.

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MR. RICHARDS, in response to Chair Wilson, offered that to reduce air quality impacts from wood smoke, consumers in Fairbanks could use natural gas from the proposed gas pipeline.

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JEFF OTTESEN, Director, Division of Program Development, Department of Transportation & Public Facilities (DOT&PF), answered that the backlog for CMAQ projects is smaller. Thus, the DOT&PF will need to "scramble" to find projects, he stated. He related that Fairbanks would make the decision on projects under federal law. He offered that the DOT&PF would discuss the matter with its air quality partner in Department of Environmental Conservation (DEC) to identify projects. He highlighted that Fairbanks and Juneau were just designated last fall as non-attainment areas, and it takes about two years for DEC to perform its analysis and to determine strategies to use the CMAQ funds. He noted that the state is in the early stages of its planning process. In response to Representative Johnson, Mr. Ottesen answered that AMATS and FMATS will only have 75 days to use any federal stimulus funding or "lose it."

MR. RICHARDS, in response to Representative Johnson, highlighted that the HR 1 provides an emphasis for economically distressed areas, but does not designate or set aside specific funds for those areas. However, AMATS and FMATS funding is designated, he related.

REPRESENTATIVE JOHNSON inquired as to the effect on state roads due to the AMATS and FMATS share.

MR. RICHARDS answered that the universe of projects that are available to meet the timeline is relatively small. He related any projects that are ready in Anchorage and Fairbanks could be funded. He discussed some projects on the Glenn Highway, including rut repair from mile 34-42; and some projects on the Richardson Highway in the Fairbanks North Star Borough. He explained that the decision making process is based on the stage of the project development.

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REPRESENTATIVE JOHNSON inquired as to whether any project in Anchorage and Fairbanks that are bid ready, but are not on the list.

MR. RICHARDS answered by explaining funding for some Anchorage road projects. He offered that Johns Road has not been designed yet. He related that if AMATS is not able to meet its 75-day timeline, the DOT&PF could proceed with projects such as an overlay on Minnesota Drive to address the "rutting challenges." He offered that DOT&PF would then "backfill" the AMATS for development of the John's road project.

REPRESENTATIVE JOHNSON inquired as to whether "backfill" would be considered moving funding from a state project and supplanting funding with the economic stimulus package funding. He asked for clarification between "backfill" and supplanting funding.

MR. RICHARDS answered that the "rut repair" for Minnesota Drive in Anchorage could be rapidly developed since the scope of the project is considered "mill and overlay" work. He explained that the project would not require an environmental assessment and would not "disturb" any ground. Instead, the rutted asphalt will be skimmed off and new asphalt would be applied to the road surface.

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MR. OTTESEN interjected that the federal rules allow the DOT&PF to move a STIP project ahead and use economic stimulus funding and move stimulus funding back to a STIP project so long as long as it happens in FY 09. Thus, the specific timeframe under discussion is the May to August 2009 period, which is a short-term window. He opined that in Anchorage the DOT&PF proposes to do that just so that Anchorage "does not lose its stimulus dollars."

MR. OTTESEN opined that the only available projects that he is aware of in Anchorage are more "mill and paves." He added that the way the bill is structured, the amount of money given to the Metropolitan Planning Organizations (MPOs) is defined in law. Thus, if the state attempts to provide more economic stimulus funding to the MPOS, then the DOT&PF does a disservice to the remainder of the state. He further opined that HR 1 is very clear that the funding is to be shared between the state, the MPOs, and non-MPO communities with an emphasis on economically distressed areas. He highlighted that the DOT&PF's job is to balance those needs in the context of the language in the bill.

REPRESENTATIVE JOHNSON asked if projects in Wrangell, Ketchikan or Juneau that would fit that criteria. He further inquired as to whether the department is "taking in the whole picture" to review projects in terms of how quickly the projects can happen that will also meet short and long term needs of these communities. He suggested that Mr. Ottesen could provide this information at a later date.

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CHAIR WILSON related her understanding that the DOT&PF has already discussed the economic stimulus funding with AMATS. Since AMATS is not certain it can find projects that fit their more limited criteria, the DOT&PF would use the AMATS funding to fund projects so the funding is not lost.

MR. RICHARDS agreed. He remarked that the DOT&PF has discussed with AMATS and FMATS to determine how best to capture the funding to put Alaskans to work.

CHAIR WILSON related her understanding that more projects exist than the state anticipates receiving in the federal economic stimulus funding.

MR. RICHARD answered yes, that the goal is to identify current projects that meet the challenges the Congress imposed. Thus, the total possible projects identified represent more than the anticipated funding in the event that a problem arises and a selected project cannot be completed. Additionally, the DOT&PF will be ready to move forward on other projects in the event that other states cannot use their federal economic stimulus funding.

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REPRESENTATIVE JOHANSEN asked whether his district has any additional projects that would qualify, other than those listed on the handout titled "Alaska Construction & Transit Projects Stimulus & STIP 2009". He suggested that the DOT&PF could provide him with the information later.

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REPRESENTATIVE GRUENBERG inquired as to whether the DOT&PF needs any changes to any state statutes in order to facilitate the transfer of federal economic stimulus funding.

MR. RICHARDS answered that he is not aware of any additional authority. He explained that the DOT&PF will present to the legislature a supplemental appropriations bill that will identify that the department is seeking legislative authority to receive funds for these projects. He stressed that the funding is 100 percent federal funding. In further response to Representative Gruenberg, Mr. Richards answered that the DOT&PF will not require any other statutory changes.

REPRESENTATIVE MUNOZ related her understanding that the Federal Highway Administration (FHWA) trust fund is bankrupt. She expressed concern that future STIP projects might be affected.

MR. OTTESEN answered that the economic stimulus package will be funded from the federal general fund and not from the FHWA. He shared her concern about the status of the FHWA trust fund. He pointed out that the DOT&PF is writing a STIP amendment for the stimulus bill that covers 2009, followed by a new STIP to cover 2010 to 2013. He said, "We're going to write that STIP not really knowing or having a very fuzzy crystal ball as to what that future funding is, but I will say this. I don't think Congress will let this program go into the dustbin of history. It's just really too important to the nation's economic health."

REPRESENTATIVE MUNOZ asked for a definition of stimulus fast award and stimulus slow award.

MR. RICHARDS answered that the fast award relate to the projects that must be obligated in 90 days and the slow award relate to projects that must be obligated in 18 months. He referred back to the slide titled, "How Much Funding" and to the columns labeled House H.R. 1 and Senate S.1. He also referred to the bottom of the slide to the line "Use or Lose Rule." He pointed out the differences between the bill versions such that the House version of HR 1 has a limit of 90 days for fast awards and 18 months for slow awards, whereas the Senate version has a limit of 6 months for fast awards and 12 months for slow awards.

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MR. RICHARDS, in response to Representative Johansen, explained that funding would also be eligible for ferries and trains. He related that the STIP includes projects that could absorb the entire \$25.8 million included in the House version. In further response to Representative Johansen, Mr. Richards explained that some of the DOT&PF projects provide ancillary benefits to the Alaska Railroad Corporation (ARRC) such as at-grade road crossings. He remarked that the DOT&PF uses FHWA funds to provide safety improvements. However, he said he was not aware of the ARRC processes or programs. He recalled testimony given to the House Finance Committee referred to maintenance agreements for road and rail crossings.

MR. OTTESEN explained that the ARRC receives formula funding from the Federal Transit Administration (FTA) as well as earmarks. He opined that the FTA funds are included in the DOT&PF's STIP based on a formula set by the Congress.

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MR. RICHARDS continued. He remarked that the proposed funding for Aviation is set at \$231 million in HR 1 and up to \$84.7 million in the Senate version. He related that approximately 27 rural projects have been identified totaling about \$271 million. He explained that approximately 12 possible projects totaling \$105 million have been identified for the International Aviation Program. He highlighted that the Senate version reduces the overall program from \$3 billion to \$1.1 billion. He mentioned that the DOT&PF monitors the federal bill on a daily basis. He remarked that any aviation funding will go through the Federal Aviation Administration (FAA), which will parcel out funds

through discretionary projects. Thus, the decisions to select aviation projects to fund from federal economic stimulus funding will be made by the local regional FAA office.

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MR. RICHARDS, in response to Representative Johnson, referred to a map titled "Alaska Construction & Transit Projects Stimulus & STIP 2009". He indicated the map identifies the "Stimulus Fast Award" projects and "Stimulus Slow Award" projects. He surmised that if the DOT&PF went from a 90 day to a 6-month provision, that the department would likely capture projects listed in the slow award. He highlighted that the senate version of the federal bill requires that projects must be obligated in 12 months instead of 18 months. Thus, some projects that could be accomplished in 16 to 18 months could not be completed in the more limited timeframe. In further response to Representative Johnson, Mr. Richards remarked that the DOT&PF's goal is to show projects that met the most aggressive and conservative timelines that the "Congress is throwing at us."

REPRESENTATIVE JOHANSEN asked whether the DOT&PF has a list of FAA projects under consideration and whether the department made formal recommendations to the FAA on projects.

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CHRISTINE KLEIN, Deputy Commissioner of Aviation, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), answered that her office has been working closely with the FAA. She said she anticipates a minimum of \$122 million in fast track projects, with an additional amount for the International Aviation Program totaling about \$200 million. She surmised that it is unlikely that the state would receive that much funding. In the event the timeline is expanded further, the DOT&PF would have nearly \$400 million ready. She remarked that "everybody is scurrying, the rules are changing." She surmised many of the rules haven't yet been defined. Ms. Klein stated that the DOT&PF's goal is to have the projects ready to go, that staff is working round the clock to reach the department's goal. She highlighted that projects are located in every region, with most in rural areas. Ms. Klein mentioned that the DOT&PF has a map that it has been using internally, which she offered to provide to the committee in the next few days, once the governor has signed off on the map.

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REPRESENTATIVE JOHANSEN said that he is primarily interested in knowing which projects the DOT&PF is "pushing for" since the legislature is not involved in prioritizing the aviation projects. He inquired as to the status of several capital improvement projects in his district.

MS. KLEIN explained that the FAA uses a review process similar to the one that the FHWA use for its projects. She offered that many of the aviation projects can take up to ten years to go through that process. She related that most of the projects are ones that have been through the planning process. She reiterated that the FAA has more discretion in terms of the types of projects such as runway safety areas, surface maintenance. She opined that having FAA involvement is helpful since it also gives the DOT&PF a greater range of eligible projects.

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REPRESENTATIVE GRUENBERG mentioned that sometimes a federal agency will look to state law to define a term. He inquired as to whether the DOT&PF could keep in mind that the legislature could adopt some definitions that might help make projects eligible for the federal economic stimulus funding.

CHAIR WILSON highlighted that changing a definition in one area might "wreck" a number of other areas.

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MR. RICHARDS referred to a slide titled "Steps Taken Already". He stated that the DOT&PF has been proactive and has identified a universe of eligible projects that can meet the federal criteria. Further, the DOT&PF has prioritized the list and has taken steps to amend the STIP number 18. Additionally, the DOT&PF has authorized the work needed to get projects bid ready, as well as that it has prepared a supplemental budget request, he mentioned.

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REPRESENTATIVE GRUENBERG asked whether the department could seek funding for the extra overhead.

MR. RICHARDS explained that the legislature has authorized existing project funds to work for administrative costs. He

related that the DOT&PF has sufficient CIP funds to perform that work, and hopes to work efficiently to do so.

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MR. RICHARDS referred to a slide titled "Further Steps Needed". He said that the DOT&PF has completed designs, permits, and other clearances for projects on the "fast list," or those projects that would need to be obligated by April. He outlined the steps that will be taken to meet the federal requirements for the economic stimulus funding. He stated that public comment will be taken on the STIP amendment number 18, to allow time to submit the STIP to the FHWA as well as the FTA for final approval. He highlighted that it is important to note that two federal agencies are involved. He mentioned that the DOT&PF has been consulting with the federal agencies, who are working cooperatively with the department. He explained that the DOT&PF will then be ready to enter into Federal Aid Agreements for projects on the "fast list." He opined that the agreement, which is the actual contract or obligation, will satisfy the Congressional requirement. Finally, the DOT&PF will issue bid advertisements for the projects on the "fast list."

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MR. RICHARDS referred to a slide titled "How Were Projects Selected", and explained the process. He summarized that the DOT&PF examined the eligibility of projects, the rapid timing expected, reviewed projects in terms of the economically distressed area criteria, and the mandatory set asides required in the proposed federal bills. He highlighted that the proposed economic stimulus package does not waive the requirements in law for the STIP or the National Environmental Policy Act of 1969 (NEPA).

MR. RICHARDS referred to a slide titled "Stimulus Funds Prerequisite" that shows the typical 10-year timeline for projects and breaks down the sequence necessary for the environmental, design, ROW, prior to the construction phases and project completion. He highlighted that it is virtually impossible for a new project to meet the stimulus timeline.

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MR. RICHARDS referred to a slide titled "Criteria to Prioritize". He related that the DOT&PF examined the mandatory set-asides, the governor's prioritization to the Congress with

respect to the projects need in terms of the natural gas pipeline readiness.

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MR. RICHARDS, in response to Chair Wilson, clarified that mandatory set asides refer to AMATS and FMATS. He added that the DOT&PF examined projects that were developed for improving highway safety, examined the economic distress criterion. He offered that the DOT&PF also looked at how it could leverage other dollars, with an emphasis on creating jobs for the 2009 construction season.

MR. RICHARDS referred to a slide titled "Fairbanks and Anchorage". He stated that the two MPOs, the AMATS and FMATS, will select projects within their jurisdictions. He related that DOT&PF works cooperatively with the MPOs. He offered that the same rules apply to the MPOs and the projects are subject to a 75 day obligation period instead of 90 days. He related that the MPOs must go through a Transportation Improvement Plan (TIP) that demonstrates the projects will be going into the construction phase, as well. He said that \$72 million is sub-allocated to the two MPOs in HR 1.

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MR. RICHARDS referred to a slide titled "Why did DOT look to Existing Projects." He reiterated that projects have already been started, must meet the federal eligibility rules, and many of the necessary steps have already been taken. He surmised that the DOT&PF projects can be obligated in 90 days, and a limited amount of them qualify for the federal economic stimulus funding. He pointed out that the existing projects in the STIP also have strong community support.

[2:24:16 PM](#)

MR. RICHARDS referred to a slide titled "Summary of Work Selected". He summarized that the DOT&PF anticipates that the federal economic stimulus funding will include: 272 center line miles of roads resurfaced, 10 bridges replaced or repaired, partially fund 2 new ferries, will allow ferry rehabilitation and 2 new terminals.

MR. RICHARDS, in response to Representative Johnson explained that the list furnished to members list two bridges in Juneau, consisting of one leading to the Silverbow Basin and the other

in Mendenhall Valley. He also mentioned that there are two off-system bridges in the Matanuska Susitna Borough on the list. He related that these bridges were all developed under federal processes.

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MR. RICHARDS stated that some safety projects will include improving lighting, and installing roundabouts. He noted improved transit projects will add passing lanes, and some buses and vans will be provided for approximately eight communities and improvements will be made to two international airports and up to 18 rural airports.

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MR. RICHARDS, in response to Representative Johansen, agreed that the projects for the 272 center miles fit into the category of "resurfacing." He highlighted that while the timelines on the resurfacing projects are short, that the specific type of resurfacing does not tend to employ a lot of people as compared to the number of jobs for constructing a new project. In further response to Representative Johansen, Mr. Richards explained that the 272 center line miles does include some road miles for embankment work and laying new pavement such as along the Parks Highway in Southcentral Alaska. He noted that the Parks Highway project has already been developed, and that the environmental impact statement, ROW, and design work has already been completed over a three to four year time period. In response to Chair Wilson, Mr. Richards clarified that all of the projects are listed on the map titled "Alaska Construction & Transit Projects Stimulus & STIP 2009".

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REPRESENTATIVE DOOGAN related his understanding that about \$175 million in projects along three sections of the Dalton Highway were proposed for the economic stimulus funding.

MR. RICHARDS agreed that the governor did send a letter to the Congress to identify her priorities along the Dalton Highway, Alaska Highway projects, and a Parks Highway project. Additionally, she identified work on the Kodiak Launch Facility. He remarked that those projects are included on the "fast list" portion of the map.

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MR. RICHARDS clarified that the Alaska Highway is the eastern border with Canada and runs into Delta Junction, sometimes referred to as the Alcan Highway.

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MR. RICHARDS referred to a slide titled "Legislature's Role." All federal funds, including most of the funds for the AMATS and FMATS must be appropriated by the legislature. He stated that the DOT&PF is currently working with the Office of Management & Budget (OMB) on an appropriations bill. He mentioned that the DOT&PF has an advantage since it is familiar with the federal funding processes while some other states must determine what authority they have in order to access the economic stimulus funds.

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MR. RICHARDS, in response to Representative Doogan, answered that the work identified in the slide titled "Summary of Work Selected" corresponds to the list of projects on the map titled "Alaska Construction & Transit Projects Stimulus & STIP 2009" and is inclusive of the projects on map. In further response to Representative Doogan, Mr. Richards explained that the resurfacing roads category on the summary slide is a broad category that lumps some rebuilding and repaving projects.

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MR. RICHARDS, in response to Representative Johnson, reiterated that the DOT&PF has more projects ready than it anticipates will be funded. He agreed that if projects currently contained in the STIP are built more quickly due to the economic stimulus funding that will also free up funding so that other projects contained in the STIP will proceed through the queue more quickly to construction.

REPRESENTATIVE JOHNSON inquired as to whether resurfacing roads is the best use of the economic stimulus funding as opposed to some other projects.

MR. RICHARDS explained that the DOT&PF grappled with the criteria to identify which projects should proceed. He agreed that safety is paramount to everyone. He related that the legislature appropriated general fund monies to address portions of the Glenn Highway. The DOT&PF is augmenting that funding

with economic stimulus funding to complete additional portions of the Glenn Highway since Alaskan drivers routinely complain about its condition. In further response to Representative Johnson, Mr. Richards responded that the DOT&PF commissioner and the governor have not specifically intervened to request a priority for the Glenn Highway projects.

CHAIR WILSON related her understanding that the DOT&PF is attempting to be prepared in case other states might not be able to use their funding in a timely basis.

MR. RICHARDS agreed.

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REPRESENTATIVE JOHANSEN inquired as to whether the DOT&PF narrowed down the list and if the committee could obtain a copy of all the projects that qualify.

MR. RICHARDS offered to provide a list of the STIP projects that the department has had "in the pipeline." In further response to Representative Johansen, Mr. Richards reiterated that the projects he is referring to are projects that have been through the federal process. The projects have previously been in the STIP and have received legislative authority to advance to this stage.

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REPRESENTATIVE JOHANSEN asked for clarification on the need for excess appropriation in order to potentially capture extra economic stimulus funds from other states. He related his understanding that it gives the DOT&PF more "wiggle room" if additional funding becomes available. He inquired as to whether the excess authority provides the DOT&PF with more flexibility.

MR. OTTESEN responded that if the DOT&PF's authority exactly matched the economic stimulus funding, that instances in which a project was slowed by a federal permit requirement or ROW lawsuit, the state would lose the dollars. He highlighted that the federal program requires that the DOT&PF must have the ability to move from project "A" to project "B" to capture those dollars in within a fiscal year. He stressed that the DOT&PF needs to have the flexibility. He acknowledged that it "can be a sore point when a project slows down." He remarked that projects are slowed down due for external reasons not under the

department's control. He pointed out that many agencies have governance over our projects.

REPRESENTATIVE JOHANSEN inquired as to whether the DOT&PF has enough excess appropriation for the economic stimulus package proportional to the stimulus or if it will need more authority.

MR. OTTESEN explained that the DOT&PF is analyzing the list of proposed projects for the economic stimulus package against the current legislative appropriations. He emphasized that in some cases the projects have already been submitted in the current CIP. In other instances, the DOT&PF may need additional appropriations since project cost has risen. Therefore, the appropriation request will be a combination of projects that do not need any appropriation, some that might need appropriation to cover the shortfall, and a third class of projects that need legislative appropriation. He estimated that the DOT&PF request for excess appropriation includes about 30 percent more. He indicated that the DOT&PF is basing its decision on the belief that some states will have a hard time meeting the 90-day deadline. The excess appropriation will help the state have more leverage, he surmised.

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REPRESENTATIVE DOOGAN related his understanding that if the economic stimulus funding for Alaska was set at \$100 million, that the DOT&PF would request \$130 million in legislative authorization under the theory that the DOT&PF might need more funding or in the event that other states cannot find projects to meet the stringent federal guidelines.

MR. OTTESEN agreed. He indicated that is essentially how the program works each year.

REPRESENTATIVE DOOGAN inquired as to whether that excess authority would be tied to projects.

MR. OTTESEN answered that it is actually more complicated. He explained that the DOT&PF also requests an unnamed appropriation. He related a scenario in which a project in Anchorage was set at \$10 million, but the bid was received at \$12 million. He emphasized that the DOT&PF must have flexible authority or it would not be able to award the project.

CHAIR WILSON stressed the importance of each district receiving its fair share.

MR. OTTESEN, in response to Representative Johnson, explained that in a routine cycle the DOT&PF does not ask for 30 percent excess authority. That calculation is for the specific economic stimulus package. He further explained that the authority is not technically dollars, but instead is permission. He explained that the federal funding is received and is matched up with authority. He highlighted that the legislature gives its authority to receive and expend federal funding. He indicated that the legislature gives legislative authority on a class of projects to receive expend federal funds prior to the Congressional appropriation cycle. Thus, the authority "sits on the shelf." However, the authority is not "cash," he said. The DOT&PF must have permission to funds to the legislative appropriation. He then said, "And then we have a project." In further response to Representative Johnson, Mr. Ottesen explained that the appropriations are accounted for in the capital budget documents "to the penny."

[2:49:20 PM](#)

REPRESENTATIVE JOHANSEN inquired as to how much excess authority the DOT&PF currently has available.

MR. OTTESEN explained that he does not have the current excess figure. He offered that the legislative authority is given to the DOT&PF by project. He related that the DOT&PF's excess authority will largely be used by the economic stimulus funding. He stated that the projects will be good for the state. He also stated that projects did not make it on the list of potential stimulus projects will benefit from other projects being built. He related a scenario in which a person is standing in a long line at a movie theatre hoping to make the fourth seating. However, a bus picks up people for the first three seatings of the film. Thus, the person waiting in line is now first in line to see the film. He surmised that the projects not selected for the federal economic stimulus funding will still benefit from it.

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MR. OTTESEN, in response to Representative Johansen, stated that the DOT&PF does not generally over request in the annual process. He related that due to inflation the cost of a project may increase. Thus, the DOT&PF ends up with excess appropriation each year due to inflation. He explained that has been true this decade. He remarked the economic stimulus

package creates a set of circumstances that is time sensitive. Therefore, the DOT&PF is making the request for additional appropriation authority, he stated.

MR. OTTESEN related that each August every state must report the number of projects that will be completed by September 30. He emphasized that Alaska has historically has been "a net winner" in that process. He opined that there hasn't been a year that the state did not garner additional funding from other states, which has benefitted communities all across the state.

[2:53:07 PM](#)

MR. RICHARDS referred to slide "Adding Other Projects". He offered that the projects would have been "in the works for the past 2 to 7 years." He reiterated that new projects are helped too, that communities are clamoring for projects and some of the projects will advance. He opined that approximately a year's worth of funding will occur. He also stressed that rules are tight and are fixed in law.

[2:54:57 PM](#)

MR. RICHARDS referred to a slide titled "Sub-Allocation." He said that the DOT&PF cannot sub-allocate funds directly to communities. He stated that funds will flow through the FHWA and the DOT&PF must follow the federal rules. He offered that the only true set-asides are for the AMATS and FMATS.

MR. RICHARDS referred to a slide titled "Why Two STIPs Underway". He recapped that the 2009 STIP amendment, and the 2010-2013 STIP are required in order to expend federal dollars.

[2:57:15 PM](#)

MR. RICHARDS referred to slide titled "Impact to DOT&PF's Workload". He stated that in order to obligate approximately \$240 million by May 2009, and \$450 million between June to August 2009 for the DOT&PF's regular program, as well as to obligate the remainder of the stimulus funding between October 2009 to August 2010, the DOT&PF must increase its workload by 50 percent.

REPRESENTATIVE DOOGAN inquired as to how the DOT&PF can handle a 50 percent increase in its overall workload without hiring more staff.

MR. RICHARDS answered that the DOT&PF will rely on its consultants to assist them with the additional workload. In further response to Representative Doogan, Mr. Richards explained that the funds are expended through the CIP.

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MR. RICHARDS offered that the DOT&PF's PowerPoint overview and fact sheets are linked to its website. He identified the uniform reporting location (URL) is <http://www.dot.state.ak.us>.

3:00:55 PM

**ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:00 p.m.