

SENATE FINANCE COMMITTEE  
February 19, 2009  
9:12 a.m.

[9:12:106 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:12 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Charlie Huggins, Vice-Chair  
Senator Johnny Ellis  
Senator Kim Elton  
Senator Donny Olson  
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Frank Richards, Deputy Commissioner, Highways & Public Facilities, Department of Transportation and Public Facilities; Jeff Ottesen, Director, Division of Program Development, Department of Transportation and Public Facilities; Andy Hughes, Regional Planning Chief, Southeast Region, Department of Transportation and Public Facilities; Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Gary Davis, Director, Southeast Region, Department of Transportation and Public Facilities.

SUMMARY

^Overview: Department of Transportation Statewide Capital Projects and STIP Process

[9:12:08 AM](#)

Co-Chair Stedman stressed that statewide transportation projects need to be viewed in regards to where they fit into the state's long-term infrastructure improvement plan in concert with gas line infrastructure requests and federal economic stimulus projects. He noted concerns that funding of the Department of Transportation and Public Facilities'

\$130 million request for gas line related work would delay or otherwise affect other projects in the state. He observed that a discrepancy exists between the value placed on the Statewide Transportation Improvement Program (STIP) process by the Department of Transportation and Public Facilities and the legislature. He emphasized that a review of projects at the regional level would allow a base for extensive discussions on these issues.

[9:16:43 AM](#)

FRANK RICHARDS, DEPUTY COMMISSIONER, HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, announced the Department of Transportation and Public Facilities' (DOT's) intention to present "the universe" of active highway, aviation, and transit projects currently in the design phase, and those projects anticipated or under construction throughout the state. He noted the inclusion of all fund sources: general, federal, and general obligation (GO) bonds. He added that the three regional directors would supplement bid dates and cost estimates, and offer up a brief scope of area specific projects and status updates.

Mr. Richards explained that the information in its current condensed format represents hundreds of projects. He promised to provide an electronic version with the same information organized into a spreadsheet.

[9:19:49 AM](#)

GARY DAVIS, DIRECTOR, SOUTHEAST REGION, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (testified via teleconference), referred to the list of 75 projects in the Southeast region spanning Yakutat to Metlakatla. (Alaska Department of Transportation & Public Facilities; Southeast Region; Design & Construction Projects 2009-2010)(Copy on File) He cited a range of spending from \$50,000 for the Ketchikan-Hoadly Creek Bridge project to \$40 million allocated for the Petersburg-Airport Runway Safety Area Expansion.

Co-Chair Stedman queried Petersburg airport construction costs totaling less than \$40 million. He learned, upon further examination of page 13 (Copy on File), that the project had been split into two phases. Mr. Davis interjected that the first phase, already underway, required the city to shut down the airport for one month to address drainage issues.

Co-Chair Stedman expressed concern over the lack of projects in the Southeast region to keep the construction industry engaged.

Mr. Davis believed that economic stimulus projects that would go to bid shortly and those currently in various stages of completion would be enough to keep companies busy.

[9:23:52 AM](#)

Co-Chair Stedman inquired into the Bob Ellis Replacement Ferry in Ketchikan as it is linked to delays surrounding the Gravina Access Highway.

Mr. Davis pointed out that the department needs additional money for the project as bids exceeded the available funding. The department can option to pursue general fund dollars or include the ferry project in a bid for federal aid monies in the stimulus package.

Co-Chair Stedman asked for clarification regarding the project's inclusion in the governor's capital budget and perceived removal from the stimulus package.

Mr. Richards answered that funding springs from federal highway dollars rather than federal transit funds.

Co-Chair Stedman asked about extending the bid process to avoid the absence of a ferry.

Mr. Richards affirmed the current open bid as prepared using general funds. If supplementing with federal funds, the administration faces a challenge in that it must follow the federal process in terms of procurement and development. This would mean back-tracking to rebid the project and taking out Alaska specific provisions.

Co-Chair Stedman listed several items hindering the construction of the ferry. He maintained his inquiry into ways the project could proceed despite obstacles.

[9:27:29 AM](#)

Mr. Richards reiterated that the first option would be to use state general funds; and the second option would be to utilize federal funds.

Co-Chair Stedman queried uninterrupted access to Gravina Island and by extension the Ketchikan airport.

Mr. Richards assured the committee of the Borough of Ketchikan's concern and the Coast Guard's awareness of the importance of ferry access to the community. The two entities are working diligently to identify challenges and produce an alternative.

Co-Chair Stedman commented on the \$5.7 million appropriation made formerly to DOT to facilitate the construction of a

vessel. He remarked that depending on the methodology implemented, this amount could double.

Mr. Richards concurred that an amount above \$4 million would now be needed to cover the cost of bids made above the original appropriation plus administrative costs. Employing the federal process would necessitate even more time and money.

[9:29:10 AM](#)

Senator Elton asked about the Juneau-Glacier Highway, Amalga Harbor to Eagle Beach project on page 6 (Copy On File). He pointed out that the project had a previous funding source that was not stimulus dollars. He solicited clarification of the provision that allows substituting stimulus dollars for money already committed to a planned project and thereby defeating the purpose of a stimulus.

Mr. Richards acknowledged that the Glacier Highway project appeared in the STIP as a federal highway project using the federal highway process. As the project had no defined funding, the department hopes to use economic stimulus monies to perform the work. Mr. Richards deferred the ultimate nature of this project and others to legislative authority. He emphasized that the administration simply recommends and justifies a priority order of projects.

JEFF OTTESEN, DIRECTOR, DIVISION OF PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, did not recall the specific funding history of the Glacier Highway project. He unequivocally affirmed substituting federal dollars for non-federal dollars but explained that the state must still spend the non-federal dollars. He described stimulus dollars as an additive to a state's overall program not a swapping of funds.

Mr. Ottesen clarified that the state can move federally funded projects into the stimulus proposal and then use the liberated federal dollars to fund future projects: "As long as at the end of the day we are in fact spending more dollars than before stimulus." He continued that it takes more than the four-month timeline allotted by the federal government for Alaska to develop a project. Without the ability to move existing projects up in the queue, individual states would not meet this deadline.

[9:33:13 AM](#)

Co-Chair Stedman wondered about the availability of stimulus money for a community that follows federal guidelines but not the STIP process.

Mr. Ottesen replied that a community is eligible if it follows the necessary steps outlined by the Federal Highway Administration (FHWA) or Federal Transit Administration (FTA). He interjected that most communities typically do not follow the often "time-consuming and clumsy" federal process when granted money from another source.

Mr. Ottesen summarized that absolutely no federal funds can flow unless a project appears in the STIP and has undergone that public process.

Co-Chair Stedman expressed puzzlement at hearing conflicting answers regarding DOT's involvement. He questioned whether money could go directly to a community if the project exercised a federal process independent of DOT.

Mr. Ottesen acceded the existence of a small number of federally funded projects that are not managed by DOT. He mentioned a few entities including the Denali Commission, Western Federal Lands, and some FTA funded projects where the administration works directly with the local governments.

Mr. Ottesen maintained that to a large extent federal highway funds flow through DOT and the department acts as responsible administrator as the rules require. Even if the state sub-allocates money to a local government that makes a mistake, repayment expectations lie with the state of Alaska.

Co-Chair Stedman described an emergency bridge repair in Ketchikan, which appears to have qualified but evaded integration into the STIP. He marveled at the project's automatic exclusion from the process.

[9:36:08 AM](#)

Senator Hoffman referenced the Sand Point [School Loop] Road project. He objected to the cumbersome STIP process and wished to see projects expeditiously completed. He wondered if the Alaska Legislature holds the authority, as it has in the past, to modify the STIP in order to get projects accomplished more speedily.

Mr. Ottesen spoke to the risks one runs in modifying the program. He said that the department works hard to deal with the federally required body of law known as the STIP in a normal process. Because of substantial changes in the past two years, DOT finds itself struggling with staffing and new rules. He named five lawsuits brought against the state of Alaska within the last decade. In the proceedings that won, the state played by the rules, and in those that lost, the state deviated from the rules.

Co-Chair Hoffman called for an explanation of the current STIP process and for specifics regarding the timeframe for modification. He also wanted to know if DOT needed extra staff to cope with the effects of the numerous changes and comply in a timely manner.

9:39:18 AM

Mr. Richards described the Department of Transportation's proposed Amendment #18 to the 2006 - 2009 STIP [dated May 6, 2009 and located on the department's webpage at: [http://www.dot.state.ak.us/stwdplng/cip\\_stip/assets/06\\_09stip/06\\_09amendments/00-STIP-Amdt18-Approved.pdf](http://www.dot.state.ak.us/stwdplng/cip_stip/assets/06_09stip/06_09amendments/00-STIP-Amdt18-Approved.pdf)] which now encompasses a 90 day process. Previously DOT had the ability to make funding changes to projects on a routine basis. At this time, any changes require an extremely cumbersome amendment process.

Co-Chair Hoffman iterated that a portion of the stimulus package is available to start projects within a 12-month period. He underlined the legislature's duty to identify a broad spectrum of projects that could begin the 90-day process and fall into the timeframe.

Co-Chair Stedman asked for a reiteration of STIP Amendment #18 specifically regarding community response as it applies to timing.

9:42:21 AM

Mr. Richards restated that STIP Amendment #18 requires DOT to seek public comment on projects. This is also the time the legislature can comment publicly. The projects in the stimulus package must have been in the federal process for the preceding several years. Fifty percent must be obligated. The department was not aware of projects with the potential to receive economic stimulus money. He cautioned major changes to STIP Amendment #18, which might halt distribution of funds around the state.

Co-Chair Stedman asked for clarification regarding notification to communities.

Mr. Ottesen reported that notice went out when the state introduced the draft STIP Amendment #18. The department had considered a public nomination process before launching the amendment but in the state's collective best interest, decided to use projects already in the pipeline. The determination was made with an aim to follow stimulus parameters, get a group of projects funded and capture dollars from other states not as nimbly able to adapt to the new STIP rules.

Mr. Ottesen stressed that any project that does not get funded by stimulus dollars will be lifted with regular STIP funding. He stated that the communities will not care about the funding source. The challenges with STIP have been due to inflation and the setting aside of dollars, which causes the state of Alaska to have less dominion over funds. Currently Alaska has the opportunity to take projects that have been waiting and get them funded. This will allow the next generation of projects to come forward. He urged timely action.

[9:46:53 AM](#)

Co-Chair Stedman asked for those projects that do not appear in the STIP but would qualify.

Mr. Richards informed the committee that existing staff works overtime doing designs. The department has not hired additional employees, but it uses contracted consultants to augment existing staff and the elevated need.

Co-Chair Hoffman questioned whether the department needs additional staffing to prevent a loss of the funds.

Mr. Richards stated that DOT has enough staff to capture the stimulus funds coming.

Co-Chair Stedman stated the need for presented materials that are useful to the committee.

[9:50:28 AM](#)

Mr. Ottesen said a project could be added to the STIP but observed that the necessary processing would very likely not be completed on time. Bridge projects in particular have significant environmental and permitting challenges. He gave the example of three bridges on the Steward Highway. He recommended against using federal funds to solve this type of problem.

Senator Elton opined that communities and the committee need to know the complete list of projects potentially appropriate for stimulus funding. He feared lessening the pool of projects without a comparable context. He referred to the statement that communities do not care where the funding comes from. He gave an example of a community puzzled as to why stimulus dollars are not being spent on their priority projects.

[9:55:55 AM](#)

Mr. Ottesen pledged a forthcoming complete list of stimulus eligible projects. The department has analyzed the bill. The second deadline became twelve months, which took a half-

dozen projects off the list. The two projects mentioned remain. He stated that the community did not talk to the department about the priority project. He warned about a paring of capital transit funds as a result of a loss of \$25 million in the stimulus draft. Statewide transit money for vehicles remains at \$9 million.

Co-Chair Stedman wondered at the inclusion of the Juneau-Library, Archive, and Museum Facility on page 8 (Copy on File) in the STIP Amendment.

ANDY HUGHES, REGIONAL PLANNING CHIEF, SOUTHEAST REGION, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained the availability of Preliminary Engineering (P.E.) money to scope out the project. The Southeast region included all design and construction projects in its material. The facility is not in the STIP.

Senator Elton inquired whether the Juneau-Library would be eligible for STIP dollars under the education component of the stimulus package. Mr. Hughes could not supply the answer.

[10:00:20 AM](#)

Co-Chair Stedman requested assistance with category and funding source totals in the Southeast region.

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, offered to provide the committee with a cost total of active projects.

In response to a request by Co-Chair Stedman, Ms. Slagle noted that she was able to generate a spreadsheet of active projects in excel format. She elaborated on the two computer programs DOT uses to track projects. One system lets the department bill the federal government for project activity. The Management Reporting System (MRS) provides information specific to each project. The 228 page spreadsheet shows programming, a cost history and balances for each project sorted by region. The electronic version can be organized at will.

[10:03:54 AM](#)

Ms. Slagle referred to a bid schedule on the department's web page. The schedule shows projects that the department anticipates putting out to bid for Summer 2009. Descriptions include a project's cost range. A third report has a list of projects with estimated advertising dates sorted by region that might not yet appear on the public schedule.

Co-Chair Stedman urged swift arrival of the relevant data in a form beneficial to the committee.

Ms. Slagle noted the spreadsheets do not have some additional information contained in the word documents.

[10:06:19 AM](#)

Co-Chair Stedman appreciated the broad view of information given by the department. He asked for a flexible format that makes the amounts accessible. He stated that the committee could not comfortably move forward without high-speed means to handle the complex data. Ms. Slagle agreed to comply with the request.

Co-Chair Hoffman queried the total amount of stimulus fund available for construction in Alaska. He expressed concern that all regions receive stimulus money.

Ms. Slagle summed up the state's proposed federal stimulus funding as \$175 million for highways and bridges, \$40 million for transit funding, and \$75 for aviation projects. The department will provide a locator map along with the list of projects. She judged the projects to be widely dispersed throughout the state.

Co-Chair Hoffman requested a total of the three regions: Southeast, Central and Northern. He asked if all projects in the handouts were available for stimulus money.

[10:10:19 AM](#)

Ms. Slagle said the current list includes all active DOT projects and their status. A subset qualifies for the economic stimulus package. She repeated the promise to provide a readable spreadsheet that would calculate funding totals.

Co-Chair Hoffman asked for a rough monetary figure of the total amount eligible for stimulus funding.

Ms. Slagle estimated that the list of potential projects tallies over \$300 million. The state has more eligible projects than money it is slated to receive.

Mr. Ottesen added that eligible highway and bridge projects total \$325 million. He reported that the \$150 million that cannot make the list will hopefully capture forfeited stimulus money from other states. He cited the state's readiness and focus on a group of projects poised to meet the deadlines.

Co-Chair Hoffman asked for an approximation of the total amount eligible for stimulus under transit.

Mr. Ottesen answered that the transit list extends potentially into the billions of dollars, which almost negates its meaning. The state has discretion over about \$9 million. He continued that the federal government directly allocates the other \$32 million to the Anchorage Metropolitan Area Transportation Study (AMATS) or Fairbanks Metropolitan Area Transportation Study (FMATS). The Alaska Railroad receives a portion of AMATS money sub-allocated by law.

Co-Chair Hoffman asked for an approximation of the total amount eligible for stimulus under aviation.

Mr. Ottesen re-affirmed \$75 million for aviation projects. He said the state advocates for projects, but the Federal Aviation Administration (FAA) holds the discretionary power to decide where the money goes. The list is much larger than the amount allocated.

Co-Chair Hoffman solicited a ballpark amount of aviation projects eligible for the stimulus package.

Mr. Ottesen thought at least \$200 million and maybe as much as \$300 million.

[10:14:56 AM](#)

Co-Chair Stedman wanted to look at the municipalities of Anchorage and Fairbanks.

Mr. Ottesen emphasized that the two organizations collect a share of stimulus dollars as required by law.

Co-Chair Stedman pressed for a list of projects from these two cities. He expounded that from a policy perspective, an overall picture of the state informs decisions that affect Alaska's budgeting process.

Mr. Ottesen verified the existence of both lists and his nearness to obtaining them.

Co-Chair Stedman voiced a concern with the lack of work happening in parts of the state as members struggle with the current mosaic of projects.

Mr. Ottesen assured members that problems with available work will greatly diminish when the final stimulus recommendation comes before the committee.

[10:17:28 AM](#)

Senator Elton contemplated SE region bid dates placed seemingly far out into the future. He wondered if reasons

for the deferment centered on not having the permits or not having funds.

Ms Slagle affirmed a variety of reasons for an estimated bid date.

Senator Elton asked the department to include reasons for bid dates as they prepare spreadsheet documents.

Ms Slagle answered that she would work on providing the information.

Co-Chair Stedman asked for formatted data for the other regions as well. Reformatted data would make better use of the committee's time.

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ADJOURNMENT

The meeting was adjourned at 10:20 AM.