

SENATE FINANCE COMMITTEE
March 2, 2009
9:05 a.m.

[9:05:43 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:05 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; Michael Barnhill, Assistant Attorney General, Department of Law; Christine Klein, Deputy Commissioner of Aviation, Department of Transportation and Public Facilities; Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities.

SUMMARY

SB 123 "An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

SB 123 was HEARD and HELD in Committee for further consideration.

SB 124 "An Act relating to the authorization for the Department of Transportation and Public Facilities to participate in the American Recovery and Reinvestment Act of 2009; and providing for an effective date."

SB 124 was HEARD and HELD in Committee for further consideration.

#sb124

SENATE BILL NO. 124

"An Act relating to the authorization for the Department of Transportation and Public Facilities to participate in the American Recovery and Reinvestment Act of 2009; and providing for an effective date."

[9:08:37 AM](#)

MICHAEL BARNHILL, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW (LAW), informed the committee that SB 124 ensures that the Department of Transportation and Public Facilities (DOT/PF) has the authority needed under state law to participate in the American Recovery and Reinvestment Act (ARRA) of 2009, otherwise known as the economic stimulus bill. The bill has three sections of intent language. The purpose of intent language sections A and B is to identify the sections of the economic stimulus bill in which DOT/PF will participate. Each of the sub-agencies of the U.S. Department of Transportation (USDOT) to which DOT/PF would apply for funding are identified. He noted that Section C, Title XII, gives the Federal Aviation Administration (FAA) discretion regarding funding.

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Co-Chair Stedman asked about the timeline regarding the certification. Mr. Barnhill answered that action had to be taken as soon as possible. He anticipated making the governor's certification as early as mid-March. Funds would be ready to flow on 3/4/09.

FRANK RICHARDS, DEPUTY COMMISSIONER, HIGHWAYS AND PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, reported that the Federal Highway Administration (FHWA) has said the funds are ready as soon as the certification is provided.

Co-Chair Hoffman stated that many legislators want to apply for all available funds. He quoted from Section C, page 2, line 14: "to seek to maximize the funding available." He noted the legislation mentions the intent of the legislature and queried who the administration had talked to regarding intent.

Mr. Barnhill acknowledged that they had spoken with no one in the legislature; the language had been phrased in the usual manner of intent language. He believed it was the intent of the administration to maximize applying and receiving funding under Title VI and Title XII of the economic stimulus bill. The only notice made is that the FAA has discretion, which the state has no control over.

Co-Chair Hoffman stated that his intent was open dialogue.

Co-Chair Stedman returned to the question of when action needs to be taken. Some thought action should be taken immediately. He emphasized the need to know firm deadline dates. Mr. Barnhill answered that there are a variety of deadlines in the stimulus bill for certification by the governor. The governor has 45 days until April 3 to certify with respect to use of the funds. Another deadline is March 19. He stated the administration would do everything possible to meet the deadlines. He did not know of legislative deadlines except the backstop legislative certification; there was question whether the 45-day deadline applied to that. He thought an opinion was being sought regarding the deadline from the federal Office of Management and Budget (OMB).

[9:16:09 AM](#)

Co-Chair Stedman asked for definitions of Title VI and Title XII. Mr. Barnhill replied that Title VI is Homeland Security and Title XII is USDOT.

Co-Chair Stedman stated that legislators were under the impression that they could take action after the governor's deadline date; other information indicated that the legislature and governor had the same deadline dates. Mr. Barnhill reiterated than an opinion was being sought from the federal OMB. He stated that there is frenetic activity across the country with respect to details about deadlines.

Co-Chair Stedman asked if he would get back to the committee when the deadlines were clarified. Mr. Barnhill reiterated that the governor has deadlines but he knew of no deadlines for the legislature.

Senator Huggins stated that he was offended by Mr. Barnhill's tone and use of the language "frenetic activity." Mr. Barnhill apologized. He clarified that there was a great deal of activity around the country, including many emails with misleading, false, and changing deadlines regarding certification.

Senator Huggins was surprised with the statement that Mr. Barnhill had not spoken to anyone in the legislature. He emphasized that both the administration and legislature work for Alaskans. He was surprised that the department had not spoken to the legislature. He wanted to cooperate and move thoroughly and thoughtfully to make the process go well.

Senator Huggins queried the deadline for the approval of the legislation.

[9:19:50 AM](#)

Mr. Barnhill stated for the record that he simply drafted the legislation and has no authority to speak for the administration or to negotiate. Senator Huggins understood and hoped to develop a positive relationship in order to move forward.

Mr. Richards answered that regarding the timeline the stimulus bill requires DOT/PF to obligate at least 50 percent of the transportation funds awarded to Alaska within 120 days of enactment, or by June 15, 2009. The projects have to be developed and authorized by FHWA to solicit project bids in order to get Alaskans to work. The department has been communicating with the legislature and intends to continue dialogue so that the bill can be understood fully. Almost two weeks after enactment, the department is still learning the nuances of the legislation. Personnel are working many extra hours to maximize transportation funding for Alaska.

Senator Huggins asked for more information regarding deadlines. Mr. Richards replied that at least 50 percent of

the money must be obligated by June 15, 2009, and all of the funds must be obligated by February 17, 2010.

Senator Huggins clarified that the purpose of the current phase is to maximize funding. He asked to be walked through the process of legislative involvement during the next phase.

[9:22:35 AM](#)

Mr. Richards explained that the department is currently aware of funding formulas through FAA, FHWA, and the Federal Transit Administration (FTA). Criteria are being developed by the Office of the Secretary of USDOT for other discretionary programs within the bill. The department does not know yet what funds will be available for states to compete for. The department will communicate with the legislature about the additional programs when it knows more.

Co-Chair Hoffman stated that he was under the impression that the legislature could apply for funds if it did not agree with the governor's application. He wondered if SB 124 addressed the issue of the legislature applying for different appropriations. He asked if other departments such as the Department of Health and Social Services would also look to the legislature to apply for funds.

Mr. Barnhill understood that the intent of the bill was for the administration to apply for all funds available to the state under Title VI (Homeland Security) and Title XII (Transportation) of the economic stimulus bill.

Co-Chair Hoffman pointed out that SB 124 states the intent of the legislature to have the department apply for the funds. He reiterated his understanding that the governor applies and then the legislature makes a determination and decides whether it wants to apply. He asked if the legislature would still have the authority to apply for projects if SB 124 were passed.

Mr. Barnhill assumed Co-Chair Hoffman was referring to Section 1607 of ARRA, the "backstop authorization section." The section requires the governor to certify by April 3 that she will apply for and use funds available under the economic stimulus bill. If the governor does not certify, the backstop legislation gives the legislature the

authority to certify that it will apply for and use the funds. He did not think the backstop authorization was triggered unless the governor did not apply for funds. Senate Bill 124 assumes the governor will apply for everything available.

[9:26:43 AM](#)

Senator Huggins asked if there were other ways to apply for funds. Mr. Barnhill replied that there are a variety of other agencies drafting bills to get the authority to apply for other funding sources in ARRA. The objective is to have a collection of bills that will cover the entire stimulus bill. He noted the complexity of the stimulus bill. He admitted one option was to have a single, broad bill with more agencies and more funding, but he thought it might be easier to take smaller steps at the beginning.

Co-Chair Stedman noted the lack of backup information and asked that more be included in the bill packet. Specifically, he wanted the governor's timeline with her planned actions clearly laid out.

Senator Huggins asked if other states had been consulted regarding techniques used. Mr. Barnhill answered that several weeks previously LAW had conducted a national search for a pattern of response with respect to state implementation. At that time, there did not seem to be a pattern. Senator Huggins encouraged conversation with other states.

[9:31:18 AM](#)

Mr. Barnhill offered to provide information garnered regarding the various task forces being put together by other states. He referred to a document with a list of approximately 26 states.

Senator Thomas confirmed that other bills were forthcoming that would correspond to other titles [similar to Titles VI and XII] such as military and education. He asked for clarification regarding what he thought was a critical deadline, the thirty days from enactment. Mr. Barnhill replied that the thirty-day deadline referred to Section 1511 certification that must be made by the governor or the head executive of DOT/PF. The provision requires certification of maintenance of effort regarding the

expenditure of funds. He stated that he could provide the committee with copies of a memo listing the governor's deadlines.

Senator Thomas asked if the certification also indicated that the state would follow up on the projects. Mr. Barnhill offered to provide a listing of all of the deadlines.

Senator Olson understood that SB 124 gave the authorization for DOT/PF to apply for the funding, but not to spend the money. Mr. Barnhill replied that a partner bill, SB 123, would provide for appropriations of the funds.

[9:34:01 AM](#)

Co-Chair Stedman asked if there were a representative from the administration present to speak to the legislation. Mr. Richards replied that Karen Rehfeld, Director of OMB had been slated to speak to the bill, but her flight had been delayed.

Co-Chair Stedman stated that the committee had made an effort to schedule the bill as soon as possible. He reiterated concerns about the lack of backup information. He stated that no action would be taken without more backup and without hearing testimony from the administration. Mr. Richards answered that he understood.

Co-Chair Hoffman asked if the bill were required in order for the state to receive the funds. Mr. Barnhill replied that the bill was an exercise of due caution to ensure that DOT/PF has explicit authorization to participate.

Co-Chair Stedman wanted to work before the next meeting for clarification regarding what the administration needs in terms of legislative authorization.

Mr. Richards added that regarding the maintenance of effort, the bill requires the governor to certify that the state will maintain planned Alaska transportation funding. The department interprets this to mean its current year budget amount since next year's budget has not been enacted. The administration will certify that it will not supplant previous project funds with stimulus funds.

[9:38:10 AM](#)

Senator Thomas asked if the department would not supplant FY09 budget but would supplant the FY10 budget. Mr. Richards answered with an example: if project X had \$2 million in general fund dollars appropriated by the legislature, the department would not extract the \$2 million general funds and use \$2 million in stimulus funds instead.

Senator Thomas thought that the money could be used for shovel-ready projects, but that the department would forward the state's allocated money to another project.

Co-Chair Stedman said that the SB 123 discussion would cover the relationship between the maintenance of effort and general funds.

SB 124 was HEARD and HELD in Committee for further consideration.

#sb123

SENATE BILL NO. 123

"An Act making supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

[9:39:49 AM](#)

Co-Chair Stedman announced that public testimony would be taken at a later date.

FRANK RICHARDS, DEPUTY COMMISSIONER, HIGHWAYS AND PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, gave an overview of the legislation. He framed what the America Recovery and Re-investment Act (ARRA) is providing to Alaska for transportation. He emphasized the intent to create jobs and invest in assets so that citizens would benefit. The stimulus funds through the formula programs include approximately \$175 million for highways projects, \$42 million for transit projects, and \$85 million for aviation projects. The department has been working diligently with federal funding partners to maximize the potential use of the funds for Alaskans.

Mr. Richards explained that funding for highways and transit projects will be provided through regular formula

programs, while aviation funding will go directly to the FAA for discretionary allocation. Expectations were high regarding easy access to and use of the transportation funds. However, the funds will flow through the regular federal formula programs, which means following mandatory rules and regulations.

Mr. Richards listed requirements that apply to funding for roads and bridges:

- To access the funds, the funds must have been developed under Title XXIII rules.
- Funds will flow through state DOTs.
- At least 50% of the funds must be obligated within 120 days (June 15, 2009 deadline). This leaves 104 days from the time of enactment to make sure the funds are obligated, or the funds will be lost to another state (use it or lose it provision).
- Remaining 50% must be obligated by one year (February 17, 2010).
- The funds specifically for the highway and transit program come with an allocation defined by the bill. Of those funds:
 - 3% goes to transportation enhancement projects, such as sidewalks, waysides, bike paths, etc. 67% to be used on state highways and roads.
 - 19% must go to communities of less than 5,000.
 - 11% must go to communities with populations of greater than 200,000.
 - The remaining 67% will go to state roads, highways, and bridges.
- All projects must be in a current State Transportation Improvement Plan (STIP); Amendment #18 is out for public comment.

Mr. Richards stressed that the provisions will be challenging to accomplish within the short timeframe. The guidelines must be followed or Alaska will lose funds. Essentially, Congress has mandated that funds be spent on projects that have previously been developed following the federal rules.

[9:44:39 AM](#)

Mr. Richards stated that SB 123 contains projects the department felt would meet the required rules. The bill

represents about \$330 million in highway projects. He stressed that the projects have already been before the legislature and received authority to proceed.

Mr. Richards listed the criteria developed by the department to put together a priority list of projects. The criteria correspond to ARRA emphasis areas, projects that:

- Address safety issues
- Are located in economically distressed areas, where the unemployment rate is 1 percentage point higher than the national average
- Provide gasline logistic benefits
- Leverage other funds
- Could be under construction by 2009

Mr. Richards referred to a letter sent the previous week identifying the projects. The letter also provided a spreadsheet listing the priorities for the recommended projects as well as contingency projects following the same criteria.

Mr. Richards pointed out that SB 123 contains several appropriations with individual project allocations. The governor's priorities are included in the highway and bridge stimulus projects list. There is also a contingent list with eligible projects.

Mr. Richards reported that one unfortunate consequence of the stimulus bill was the use of a 1991 formula for allocation of "local funding." Alaska has been exempt from the formula since 1991. Under the formula, funds are allocated to communities of greater than 200,000 and less than 5,000. Remaining funding could be spent in other communities with populations between 5,000 and 200,000, such as Fairbanks, Ketchikan, Juneau, Palmer, Wasilla, and Sitka, if the funding level met 110 percent of the 1991 allocation to those communities.

[9:47:01 AM](#)

Mr. Richards stressed that Alaska is the only state without the ability to allocate projects under the category of funding to the mid-sized communities.

Mr. Richards pointed out that not all the funding would flow through the state. Under transit, \$42 million has been designated for Alaska; \$32.5 million will go to the Anchorage Metropolitan Planning Organization (AMPO) and the Fairbanks Metropolitan Planning Organization (FMPO). Alaskans will probably receive \$85 million for aviation, but FAA will determine where the money is spent. Portions of the aviation funds will be given to local sponsors, meaning non-state-owned airports, such as in Juneau Municipal Airport and Merrill Field Airport in Anchorage.

Mr. Richards reminded listeners that the department still has STIP Amendment 18 out for comment and he urged committee and community members to participate. The department has been learning that communities have projects that some believe are eligible for the stimulus funds. He emphasized the importance of dialogue between the communities and the department to determine if projects will meet the requirements of Title XXIII. He warned that the department does not have authority to provide funding if the projects are not currently on the federal STIP.

Co-Chair Stedman queried the communication process between the communities and DOT/PF. Mr. Richards reported that DOT/PF had recently been approached by communities with projects. Department staff would work with the communities to determine if procedure was followed regarding right-of-way certification and environmental and design documents. The process takes time. Communities should have communications with FHWA regarding project eligibility. The stimulus funds flow through DOT/PF, so projects must be part of the STIP.

[9:50:36 AM](#)

Co-Chair Stedman underlined the need for communities to be proactive and get in contact with DOT/PF. Mr. Richards agreed; otherwise, the department has no way of knowing about potential projects. Co-Chair Stedman asked how the department would assist communities. Mr. Richards answered that the department has developed a matrix tree to provide to communities for determining the eligibility of a project.

Co-Chair Stedman asked for a brief synopsis of amounts for projects, not including funds that could be obtained from

other states. Mr. Richards summarized that the amount for highways and bridges is \$175,461,000.

Co-Chair Stedman emphasized the difference between federal receipt authority and cash in hand to move a project forward. The priority is to move projects forward.

Mr. Richards added that there will be approximately \$9.1 million for transit projects.

[9:54:12 AM](#)

Co-Chair Stedman stated that he was interested in a broad overview of projects because of an administration news release regarding additional funds.

Mr. Richards added that there would be approximately \$75 million worth of aviation projects.

Co-Chair Hoffman asked for a delineation of funds for transportation. Mr. Richards answered that a spreadsheet was attached to the February 20, 2009 letter ("Alaska Transit, Highway and Bridge Stimulus List, Based on ARRA 2009," Copy on File). The spreadsheet identifies projects that were stimulus (recommended), with transit, transportation, local, and state dollars identified. Each of the projects is then funded under one of the categories that is shown as 2009 stimulus funds needed. The specific transportation enhancement projects are on the bottom of page 1:

- Valdez Areawide Bike and Ped Trail Pavement Refurbishment
- Denali Highway Wayside Project

Mr. Richards referred to page 2, the transit projects totaling approximately \$9 million.

[9:57:17 AM](#)

Co-Chair Stedman asked how long the five priority items on page 1 of the document had been on the STIP. Mr. Richards replied that the project descriptions in the bill would indicate when each project first showed up on the STIP. He said he could get the information.

Co-Chair Stedman asked what the timeframe would be if the STIP were modified to deal with community projects. Mr. Richards replied that FHWA procedures require an entire STIP amendment for a new project funded with federal money. The amendment process includes a public comment period; from initiation of the STIP amendment to sign-off by FHWA and FTA is approximately 90 days, with very aggressive scheduling. The department believes it will be able to accomplish Amendment 18, which includes the funding cycle for the projects that have been identified in SB 123. New projects brought forward that meet the requirements for use of the stimulus funds would require a new STIP amendment.

[10:00:29 AM](#)

Co-Chair Hoffman spoke to the 67 percent funds category that can be used in any area of the state and noted that appropriations are concentrated in area. He asked why there was not more equity in the location of projects. Mr. Richards answered that the department wanted equitable distribution across the state. The news that local funds could not be used for communities with populations between 5,000 and 200,000 upset plans for equitable distribution. The department had to act quickly to meet the new guidelines provided by Congress. He felt the project list in SB 123 meets the intent of Congress of providing for safety, jobs in economically distressed areas, and equitable distribution.

[10:03:12 AM](#)

Co-Chair Stedman queried the process used to develop prioritization, as the fund amounts are lower than numbers mentioned in the administration's news release. He pointed out that federal receipt authority was a good way to get allocations but not to accomplish anything. He wanted cash in hand for projects around the state instead of federal receipt authority that may not materialize.

Senator Thomas wondered if the prioritization criteria considered how close a project had to be to an area to be considered a stimulus for that area.

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Mr. Richards stated that the department was willing to talk about prioritization factors used for individual projects.

He added that the presentation letter included a list of projects previously identified as eligible when the timeline to obligate was thought to be 18 months. When Congress condensed the timeline to 12 months, some of the projects dropped off the list; the dropped projects can be found on page four of the spreadsheet.

[10:08:08 AM](#)

Co-Chair Hoffman stated concerns that the administration limited flexibility by making early decisions regarding where the stimulus funds would be spent. Early decisions meant that the projects had to be funded out of the 67 percent discretionary funds. He emphasized that other conditions needed to be considered when making decisions, such as high unemployment and equity of distribution of projects. He did not feel those considerations were utilized when decisions were made about the discretionary funds. The early decisions tied the hands of the department as well as the legislature. He questioned if the bill treated all Alaskans fairly.

[10:11:04 AM](#)

Mr. Richards replied that 60 percent of the funds will flow to areas in economic distress.

Co-Chair Hoffman wanted to see a list of the projects that fit the criteria. Mr. Richards replied that the list is on the spreadsheet under the prioritization factor "serves economic distress" column.

Mr. Richards addressed the question regarding whether the projects on the governor's recommended list provides for equitable distribution across the state. He stated that the question is multi-faceted. Because Alaska has the ability under the regular federal funding formula to use the funds on all roads within the state, the state has experienced a major reduction in its ability to use national highway system funds. National highways include the Parks and Dalton Highways, roadways that serve the vast majority of the state and not any particular community. Ten years ago, the state was able to do approximately 12 projects per year. Now, the normal program is underfunded at about \$75 million per year, covering only two or three projects per year. The top priorities in the governor's recommended bill are the national highway system assets that have not been

sufficiently funded to address needed safety and other related issues. The department felt that the projects put forward and recommended by the governor were some of the most needed.

Mr. Richards stressed that if the projects are selected by the legislature to fund, other STIP projects will advance and be funded, greatly benefiting the state and addressing the needs of smaller communities.

[10:14:29 AM](#)

Co-Chair Stedman observed that the administration seemed to have a high degree of assurance that the contingency projects will move ahead and be funded. He asked if the administration was saying that the legislature should not be concerned which group is the first group and which is contingent, because both would be funded. Mr. Richards answered that based on the current level of federal highway program funding in 2009 and the likely level in 2010, the administration feels that both recommended and contingent projects will be addressed in the near term because of the economic stimulus funds.

Co-Chair Stedman asked why the administration is concerned about re-arranging the list if all the projects that will get done in the end. Mr. Richards replied that his goal is to present projects that would meet the eligibility requirements of the stimulus bill. Previously, the department was asked to provide prioritization of projects.

Co-Chair Hoffman reiterated concerns that there would not be a stimulus package next year and that the administration would not utilize the same criteria on future projects as the stimulus bill utilizes. He questioned whether the administration could ensure that future funding would address the concerns of economically distressed areas. Mr. Richards replied that Congress placed emphasis on the creation of jobs. Most of the recommended projects are those that can be under construction in 2009. The focus has been to provide for jobs in 2009 and some in 2010. The regular STIP funds projects were already in line.

[10:18:07 AM](#)

Co-Chair Hoffman referred to prior testimony by the department that projects in other areas of the state would

be addressed "next year." He stated that by then the criteria could be different; there is no guarantee that projects in economically distressed areas would be funded. He asked if the administration would use similar criteria [to that used in the stimulus package] for the 2011 budget.

Mr. Richards addressed the question regarding the use of funds in next year's STIP. Major projects will be taken out of the lineup because of economic stimulus funds, enabling funding of the vast majority of remaining projects. Concurrent with STIP amendment 18, the 2010 to 2013 STIP is out for public comment. The public and the legislature are being asked to look at existing criteria used to rank upcoming projects. He invited the legislature to identify different criteria. The STIP ranking for the 2010-2013 programs will occur soon after the legislative session ends in April.

Co-Chair Hoffman wanted the stimulus package to stimulate jobs throughout the state. He stated concerns about equity of the projects throughout the state, particularly areas with the highest unemployment rates. He questioned what the committee could do to change that. He referred to the community of Emmonak.

[10:22:28 AM](#)

Mr. Richards stated that Emmonak was part of the governor's recommended list. Co-Chair Hoffman pointed to other communities in Western Alaska that were not on the list.

Senator Huggins referred to \$130 million that DOT/PF requested during the summer 2008 special session. The co-chairs told the department to come back with the requests during the regular session. He asked if the same projects are now in the stimulus package. Mr. Richards answered that they were.

Senator Huggins asked if the administration looked at the capital budget with an eye towards using state funds to stimulate the state economy, since there is flexibility with the capital budget. Mr. Richards believed that the amendments put forward for the capital budget would address the issue for transportation.

Senator Huggins asked for examples that meet the criteria. He asked whether highway safety corridors projects meet

criteria to get pushed forward. Mr. Richards answered in the affirmative. He referred to the Parks Highway, which has high traffic incidents and fatalities. Interim steps have been taken to address the issue. The challenge with projects like the Parks Highway from Wasilla to Big Lake is cost. A project that costs \$125 million could consume nearly 75 percent of the stimulus funds. The project also did not meet the initial cut.

[10:26:36 AM](#)

Senator Olson opined that there was an uneven distribution of the stimulus money, with \$175 million going to highways and bridges and only \$75 to aviation. He thought more money should go towards aviation projects in a region where aviation is so essential. Mr. Richards agreed. He stated that the compromise bill had a smaller amount for aviation than originally hoped for. He urged continuing communication with FAA regarding aviation needs in Western and Southwestern Alaska.

Senator Olson asked for clarification of what aviation funds would be used for.

[10:29:12 AM](#)

Senator Huggins asked about railroad funding. Mr. Richards replied that the railroad is eligible to receive funds under transit funding. Of the \$42 million that the state will receive, more than \$32 million will go to Anchorage and Fairbanks. Fairbanks will receive \$760,000 for transit. The remainder to Anchorage will be distributed by formula, which favors the Alaska railroad because of its passenger load. The railroad will receive approximately 80 percent of Anchorage's funds. Railroads also have the opportunity to apply for discretionary funds that USDOT is writing the criteria for, related to projects of national significance. Once the criteria are developed, there may be other projects that would qualify.

Senator Ellis asked where the Port of Anchorage ranks on the priority list. Mr. Richards responded that currently the Port of Anchorage is available for the discretionary money that will come in the future. There is no Port of Anchorage money within SB 123.

Senator Ellis queried the rejection of the Port of Anchorage project. Mr. Richards answered that SB 123 identified highway, bridge, and transit projects that have been in the pipeline through DOT/PF. These are projects that have already received legislative authority and that have used federal dollars for design and permits.

[10:32:58 AM](#)

Co-Chair Stedman requested information regarding non-state airports.

CHRISTINE KLEIN, DEPUTY COMMISSIONER OF AVIATION, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, provided an overview of funds provided by the stimulus package for aviation. Alaska will receive 7.7 percent, or \$85 million, of the \$1.1 billion allocated to all states. Allocations are based on the number of airports. The funds will be distributed under the discretionary program according to FAA criteria, which focus on projects that contribute most to safety, security, aviation capacity, and efficiency of the state's airport system. The criteria also consider airport activity levels, whether for small, medium, and non-hub airports, or for commercial service. The largest airports in Alaska are medium hub. Also considered is the priority level of work, based on work already underway. Routine and preventative maintenance projects are discounted. Airports with compliance actions are ineligible.

Ms. Klein stated that there is approximately \$10 million for municipal airports, such as Merrill Field in Anchorage and the Kenai, Palmer, Wasilla, and Juneau airports; basically the airports that submit grant applications first will get the funding. The money has to be obligated within 120 days and the projects have to be completed within two years.

[10:36:45 AM](#)

Co-Chair Stedman referred to the Port of Anchorage and railroad integration and the expansion of facilities. He hoped there would be a gasline in the next ten or fifteen years, but regardless of what happens with the gasline, the Port of Anchorage will be shipping in most of Alaska's goods. He emphasized the importance of projects that would benefit the state for some time to come.

Senator Olson asked about the eligibility of deferred maintenance projects. Ms. Klein answered that maintenance and operation projects are not eligible under the discretionary formula; under federal law, those activities are the obligation of the state.

Senator Thomas pointed to the \$45.6 million in SB 123, approximately half of the total funds. He asked if more money was coming for aviation projects. Ms. Klein replied that there were \$104 million in projects that could potentially be ready. The amount in SB 123 is the legislative authority needed in order to finish the projects. The projects have been approved by the legislature already for permitting, design, and planning.

[10:39:40 AM](#)

Senator Thomas asked how much was coming to the state. Ms. Klein answered \$88 million. Senator Thomas asked if the balance was coming soon.

Ms. Klein listed the projects that would be recommended to move ahead:

- Akiachak Airport Relocation
- Allakaket Airport Improvements
- Fairbanks International Airport Security Access Control Improvements
- Fairbanks International Airport Taxiway and Apron Improvements
- Fort Yukon Airport Improvements
- Hoonah Airport Improvements
- Kodiak Chemical Storage Building
- Kotzebue Apron Expansion
- Ouzinkie Airport Relocation
- Cordova Apron Improvements
- Anchorage International Airport North Terminal Gate Reconstruction
- Lake Louise Runway Rehabilitation

Ms. Klein said the project total on the list is approximately \$104 million. Around \$75 is available; if the legislature approves the projects, \$45.6 million in

legislative authorization would still be needed to bring the projects to completion.

Co-Chair Stedman clarified that the white page in the aviation section of SB 123 is the list before the amendments; the yellow page has a different total.

Ms. Klein explained that FAA is still developing criteria; on Friday [February 27], FAA asked the administration to put forward the Huslia and Lake Louise projects, which had previously been lower on the list.

[10:42:25 AM](#)

Senator Olson asked the difference between a rehabilitation project and deferred maintenance. Ms. Klein answered that it usually depends on how much work has to be done and the cost. A project that will take a significant amount of time and material becomes a reconstruction project, which is what happened to the Lake Louise project. Co-Chair Hoffman asked if she meant a rehabilitation project. Ms. Klein answered in the affirmative.

Co-Chair Hoffman asked if she meant King Salmon and Cordova. Ms. Klein replied that the King Salmon Apron and Taxiway Resurfacing project was added. The two amendments had been added because FAA wanted the projects to move forward.

Co-Chair Stedman noted several appropriations with allocations. He reminded the public that the legislature appropriates funds and the department has flexibility with appropriations. He asked why the legislature should give broad appropriation and a lot of allocations versus smaller numbers of appropriations and have DOT/PF go to the legislature to move projects around.

Mr. Richards explained that the appropriations in SB 123 were designated by airport stimulus projects, transit stimulus projects, and highway and bridge stimulus projects. The structure is similar to annual capital budget appropriations for the highway program. Funds within a program can be used within the projects. Individual appropriations by project would present challenges. For example, if a certain amount were appropriated and the department went out to bid and the bid came in high, DPT/PF would not have the ability to go forward with the project

until coming back to the legislature in the next legislative cycle to ask for additional monies. The stringent timeline of the stimulus legislation requires the flexibility to use the funds for cost increases.

[10:47:07 AM](#)

Co-Chair Stedman pointed out there were 21 projects costing approximately \$139 million and queried whether the finance committee should give the department flexibility with the whole amount or break the number into compartments. Mr. Richards responded that there would not be complete flexibility, as the projects have been through the public and legislative process. The department was now asking for the authority to use the federal dollars from the stimulus package for the projects in SB 123. The legislature would determine the allocation within the appropriation.

Co-Chair Stedman added that there were 18 non-contingent projects costing \$148 million. The legislature would work the details out through time. Mr. Richards stressed that the important deadline is the 120-day obligation limit by June 15. He stated that he was available as much as necessary to work with the committee regarding project needs. He emphasized the need to work within the parameters placed by Congress, and the dynamic nature of the process. Much is still being learned.

[10:50:38 AM](#)

Co-Chair Stedman drew attention to page 8, lines 8, 14, and 20, which address appropriation issues from 2001, 2002, and 2003.

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained that the stimulus bill requires tracking of activity. Therefore, a funding source has been established to identify any funds received and expended from the federal economic stimulus bill. Legislative authorization has already been provided for several of the recommended projects. Section 4 in SB 123 changes previous appropriations from the regular federal authorization or source codes to the new federal economic stimulus fund source codes.

Co-Chair Stedman added that a different process may be used to clean up. Ms. Slagle agreed that there were other ways to deal with old appropriations; one option was reflected in the bill. Items could also be repealed and re-appropriated, or the full amount of the project costs could be provided with the new source codes.

Co-Chair Stedman said the committee would work with OMB and DOT/PF to make the process more transparent. He stated an interest in housekeeping, which might be an interim project.

Co-Chair Hoffman noted looking forward to continued collaboration with the department on the stimulus package.

SB 123 was HEARD and HELD in Committee for further consideration.

[10:55:27 AM](#)

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ADJOURNMENT

The meeting was adjourned at 10:54 AM.