

**ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE TRANSPORTATION STANDING COMMITTEE
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 27, 2009

1:05 p.m.

MEMBERS PRESENT

SENATE TRANSPORTATION

Senator Albert Kookesh, Chair
Senator Linda Menard, Vice Chair
Senator Bettye Davis
Senator Joe Paskvan

HOUSE TRANSPORTATION

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

MEMBERS ABSENT

SENATE TRANSPORTATION

Senator Kevin Meyer

HOUSE TRANSPORTATION

Representative Craig Johnson, Vice Chair
Representative John Harris

OTHER LEGISLATORS PRESENT

Senator Gary Stevens

COMMITTEE CALENDAR

Overview: Department of Transportation and Public Facilities
(DOTPF)

HEARD

Overview: Statewide Transportation Improvement Program (STIP)

HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record.

WITNESS REGISTER

LEO VON SCHEBEN, Commissioner
Department of Transportation &
Public Facilities
Juneau, AK

POSITION STATEMENT: Delivered Department of Transportation Overview.

FRANK RICHARDS, Deputy Commissioner
Department of Transportation &
Public Facilities
Juneau, AK

POSITION STATEMENT: Provided information related to the Department of Transportation Overview.

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

POSITION STATEMENT: Delivered Statewide Transportation Improvement Plan (STIP) Overview.

ACTION NARRATIVE

[1:05:47 PM](#)

CO-CHAIR PEGGY WILSON called the joint meeting of the Senate and House Transportation Standing Committees to order at 1:05 p.m. She recognized that Representatives Doogan, Muñoz, Gruenberg and Wilson were present at the call to order and Co-Chair Kookesh recognized that Senators Paskvan, Menard, Davis and Kookesh were present. Co-Chair Wilson advised that the first three meetings would be overviews that are designed to help members track where the money is going so they can pass the information along to their constituents.

Overview: Statewide Transportation Improvement Plan

CO-CHAIR WILSON announced that Commissioner Leo von Scheben would deliver an overview of the Alaska Department of

Transportation and Public Facilities (DOTPF). She asked him to provide introductions.

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COMMISSIONER VON SCHEBEN introduced himself; Jim Beedle, Deputy Commissioner of Marine Operations; Frank Richards, Deputy Commissioner of Highways & Public Facilities; Nancy Slagle, Director of Administrative Services; Jeff Ottesen, Director of Program Development; Ron King, Capital Programs; and Mary Siroky, Special Assistant to the Commissioner.

COMMISSIONER VON SCHEBEN said that the DOTPF mission statement is to provide for the safe movement of people and goods and the delivery of state services. He described the department's structure as a matrix and said he works closely with Steve Titus in the Northern Region, Gary Davis in the Southeast Region, Gordon Keith in the Central Region and Christine Klein in aviation.

COMMISSIONER VON SCHEBEN displayed a map of the regional boundaries showing that the Northern Region encompasses by far the most area. The Juneau headquarters has 346 employees, the Northern Region has 719 employees, and the Central Region has 967 employees, and Southeast has 1,063 employees—836 of which are with the marine highway. In total DOTPF employs 3,100 people.

A subsequent map indicated that the National Highway System (NHS) generally runs north and south through the center of the state passing through both Fairbanks and Anchorage. DOTPF receives federal funds for 2,113 centerline miles in the NHS. The Alaska Marine Highway System (AMHS) is included in the NHS and it covers 3,500 miles. A map of the Alaska Highway System, which is comprised of state highways and rural roads, has 1,508 centerline miles throughout the state.

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COMMISSIONER VON SCHEBEN explained that DOTPF has 84 maintenance stations throughout the state, 30 of which are located at airports in rural communities. The department also manages 25 of the 99 public harbor facilities in the state. Local governments have agreed to operate 12 of those facilities, but they do not provide operating revenue. With the exception of bond funds and state match, the Corps of Engineers Program is largely responsible for the capital program. Corps funds are used for breakwaters, state and local mooring basins and inner-harbor facilities.

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The Division of Measurement Standards and Commercial Vehicle Enforcement ensures safe highways by enforcing all federal and state commercial vehicle laws. It certifies the accuracy of all commercial weighing and measuring devices and issues permits using a web-based system. Working closely with the trucking industry and the Legislature, the penalties for overweight vehicles recently were increased for the first time in 30 years.

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COMMISSIONER VON SCHEBEN said that DOTPF is the largest airport operator in the United States with an annual AIP (aviation improvement program) capital budget of \$200 million. The 258 state-owned airports include 2 international airports in Anchorage and Fairbanks, 21 rural certificated airports and 235 community airports. He displayed a map showing that essentially every community has some sort of airport. In the next few months DOTPF will issue an Alaska aviation systems analysis plan that will identify needed airport improvements, set funding priorities, propose aviation policies and document the existing system with photos, maps and data. He noted that since July passenger and freight revenue is down between 12 and 15 percent. Maintenance contracts for each of the 134 rural airports average \$27,000 with a total cost of \$3 million.

The FY08 state operating expenditures for maintenance total \$21.1 million for facilities and \$122.6 million for highways and airports. The FY09 federal maintenance program includes \$11 million for preventive highway maintenance, \$39 million for highway pavement refurbishment and \$4 million for preventative maintenance for aviation.

COMMISSIONER VON SCHEBEN displayed a graph of general fund authorizations for maintenance and operations (M&O) showing an annual 2.75 percent linear increase since FY83. The general fund (GF) authorization at that time [adjusted for Anchorage CPI] was about \$85 million and now it's in the \$150 million range. The bottom line reflects the M&O actual GF operating budget and is [increasing] about 1.5 percent per year. Since FY05 the increase is considerably higher—probably due to the cost of doing business in maintenance.

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COMMISSIONER VON SCHEBEN said that each of the three regions has a construction branch that performs contract administration, field inspection/oversight and quality assurance. The FY09

construction budget includes \$698 million for highways, \$40 million for AMHS ferries, \$349 for aviation, \$26.3 million for facilities and \$16.5 million for ports and harbors. Between 1997 and 2006 expenditures have increased about 17 percent.

DOTPF safety programs include: Traffic Safety Corridors, 511 Program, Road Weather Information System, Intelligent Transportation System for Commercial Vehicles, Size and Weight Enforcement, and Safe Routes to School. Currently there are designated traffic safety corridors on the Seward and Parks highways and they are underway on the Knik/Goose Bay Road, Sterling Highway and Palmer-Wasilla Highway. They seem to work and save lives as long as the road is patrolled, he said.

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DOTPF accomplishments include: 17 percent reduction in square footage of structurally deficient bridges between 2007 and 2008; 2 percent increase in survey responders who are satisfied with state road and highway maintenance between 2005 and 2008; 3 percent increase in the voluntary use of seatbelts for 2007 to 2008; and 22 percent reduction in fatal and major injury crashes between 2005 and 2006. He added that 2007 data will be available soon.

In 2008, M&O crews covered 1,563,794 linear feet of highway with surface crack seal treatment or "banding," which is a way to treat expansion and contraction. They paved 33 lane miles of gravel road, repaved 213 lane miles of road, reconstructed 31 lane miles of road, and inspected 529 bridges according to federal standards.

Efficiencies include using innovative techniques such as rubberized crack seal to extend pavement life, banding to make asphalt wear longer, more efficient operation of public facilities, and more efficient ports and harbors grants and transfers.

Recruitment and retention is a key department challenge. Two years ago he learned that one third of his 3,100 workforce would be eligible to retire within five years. The department also faces challenges related to preservation and protection of infrastructure, high inflation and the economic downturn, the reauthorization bills for highways and aviation, and an aging marine highway fleet. Four ferries are 45 years or older.

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COMMISSIONER VON SCHEBEN concluded the PowerPoint presentation and said he would comment on the Juneau Access, Gravina and KABATA (Knik Arm Bridge and Toll Authority). For the Juneau Access the department is working with the Western Federal Lands Highway Division to get an independent estimate for the project. That information should be available by March 6. Litigation regarding the NEPA process is currently in federal district court and Judge Sedwick should provide a response any day. With respect to the Gravina Project he said that money is not available and there wouldn't be further work until there is a better plan. The Governor told him to look for other options because the F-1 bridge was too expensive. That entailed submitting a supplemental EIS and his staff is working on the draft. The final EIS will be complete at the end of 2009 and a record of decision will come out about mid 2010.

He disclosed that he has a conflict of interest with KABATA because his former company is submitting a proposal. That project also is under a third-party estimate and should be done early in February; four years ago the estimate was \$580 million.

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COMMISSIONER VON SCHEBEN distributed several pictures to highlight project success stories. The Yakutat harbor was at risk of losing \$555,000 because their paperwork was filled out incorrectly. At best the program would have been delayed a year. Open lines of communication and a sincere desire to see the project go forward resulted in success. "If we didn't step in that would have gone another year and that project wouldn't have been done."

The \$21 million Gustavus Dock is another success story. The state and the National Park Service were going to share the cost, but the park came up \$2 million short putting the project in jeopardy. "I worked with the staff, we worked with Gustavus people and were able to put that project out through scope work and some money and thought process," he said.

The \$45 million terminal connector at the Anchorage International Airport is a success story. That project was programmed to go forward in the spring of 2009, but the fuel crisis came along. The airlines informed him they could not afford to go forward and asked for help. "I was able to bring that project under control, reduce the scope of work ... and that project is going forward. The point, he said, is that he feels very strongly about building projects. "That's what I'm here for and that's what I came for."

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Tuntutuliak is a great success story, he said. It now has a new airport and boardwalk. The boardwalk was a better option than a road because of drainage problems associated with road construction.

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REPRESENTATIVE JOHANSEN referred to the Juneau Access, Gravina and KABATA projects and asked if it's common practice for the department to use a third-party analysis.

COMMISSIONER VON SCHEBEN replied it's not common practice, but he believes that it adds confidence value on very high profile projects.

REPRESENTATIVE JOHANSEN questioned why there was no third-party analysis on the Gravina Project since it is probably the most high profile.

COMMISSIONER VON SCHEBEN said they are putting out a supplemental EIS and cost estimates will be redone "so we didn't sense the same situation as the other two."

REPRESENTATIVE JOHANSEN again questioned why there was a third-party estimate on two projects and not on Gravina. "You're confident with Gravina numbers, but not on the other two? Is that what's happening?"

COMMISSIONER VON SCHEBEN replied the SEIS will provide numbers that are more current.

REPRESENTATIVE JOHANSEN observed that the same DOTPF employees would be crunching new numbers.

COMMISSIONER VON SCHEBEN clarified that the SEIS is being done by HDR.

REPRESENTATIVE JOHNSON asked if the department would reprogram the money for Gravina to another project or wait until the new Gravina estimates are in and the SEIS is complete.

COMMISSIONER VON SCHEBEN said he does not intend to move money around until those things are done.

SENATOR PASKVAN asked how much money will be taken off the shelf in the 2009 construction season and what projects might be ready to be part of a [federal] stimulus package.

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COMMISSIONER VON SCHEBEN commented that he's hearing a lot about stimulus money lately. He explained that stimulus projects have to be put into the STIP process, which takes 90 days; DOTPF started that process last week. They are preparing projects for the Governor and have a number that are bid-ready; they range from aviation to highways. He can't say too much more because he doesn't know how much money there will be. "I think we're on schedule to meet whatever they throw at us, but I don't know what they're going to throw at us yet."

SENATOR DAVIS asked if the bid-ready projects he mentioned have been prioritized for funding.

COMMISSIONER VON SCHEBEN replied the projects aren't prioritized but they are working on the list.

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CO-CHAIR KOOKESH noted that the Governor asked for other options on the Gravina Project and asked if he could list those.

COMMISSIONER VON SCHEBEN replied he has the draft supplemental on his desk and they're looking at about a dozen options. They run the gamut from "anything from ferries to other bridges to no construction."

CO-CHAIR KOOKESH asked how many meetings he's had with locals to discuss the various options.

COMMISSIONER VON SCHEBEN replied they are following the SEIS process and he assumes there are public hearings in that process. He offered to find out specifics.

CO-CHAIR WILSON asked him to bring information related to options and timelines to the next meeting because some committee members are very interested.

REPRESENTATIVE JOHANSEN recalled that DOTPF staff last session identified some \$250 million in projects that were ready to go. "That was testimony when you were trying to get the billion dollar highway trust fund put together," he added.

COMMISSIONER VON SCHEBEN agreed with the numbers.

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REPRESENTATIVE MUÑOZ asked how he sees the process unfolding on the Juneau Access once there's a ruling on the NEPA [National Environmental Protection Act] lawsuit.

COMMISSIONER VON SCHEBEN replied, "The problem I see with Juneau Access is further lawsuits."

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CO-CHAIR KOOKESH asked him to elaborate on his plans for the aging ferry fleet.

COMMISSIONER VON SCHEBEN said he's currently fine-tuning the systems analysis and phase two will come out a year after that is complete. The Malaspina, Matanuska, Taku, and the Tustumena are 45-46 years-old and it takes 6 years to order and take delivery on a new vessel. A shuttle ferry is under design and the guestimated price is \$80 million to \$85 million. They'll know more once the designs are complete, he said.

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CO-CHAIR KOOKESH said that he would like that information by the next meeting.

REPRESENTATIVE DOOGAN noted that the Governor singled out the road to Nome as a project she would like to go forward and asked if DOTPF is involved or has information on that process.

COMMISSIONER VON SCHEBEN said several studies have been done and DOWL Engineers have been retained to look at access going west from the north/south highway. "We have nothing west ... and we should have something west." Phase one to compile information will be complete in September 2009. He offered to provide a debriefing paper from Steve Titus.

CO-CHAIR WILSON said her office would make sure all members received a copy.

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SENATOR PASKVAN asked if some stimulus money might go directly to municipalities rather than thru DOTPF and if the money does go through the department what overhead might be assessed.

COMMISSIONER VON SCHEBEN said he understands that municipalities will receive money independently; DOTPF will receive formula funds. With respect to what DOTPF might add on, he said it

depends. A mill and pave project might have 10 percent to 15 percent added for engineering. Sometimes it goes as high as 20 percent. DOTPF adds nothing if the money goes directly to a municipality.

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REPRESENTATIVE JOHANSEN asked how close DOTPF is to closing the deal on the Ward Cove marine highway lay-up facility because the money was appropriated between 4 and 6 years ago. "DOT has had it who knows where for that long." Is it on your radar?

COMMISSIONER VON SCHEBEN said it is on his radar. A consultant agreement was put together and it's under study. He offered to provide additional information.

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REPRESENTATIVE JOHANSEN said he would appreciate that. He's spoken with Mr. Menzies, Mr. Beedle, the borough as landowner and the Governor's office. Everyone has said that the agreement is very close. "I hope you would engage yourself in that." A decision is past due. "You're asking for money for a Prince Rupert dock and I'd be hard to support another appropriation if it takes you five years to finish a project like that."

COMMISSIONER VON SCHEBEN said okay.

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REPRESENTATIVE DOOGAN asked him to elaborate on the recruitment and retention challenges he mentioned previously.

COMMISSIONER VON SCHEBEN said that when he came on board two years ago and read the statistic he knew there would be problems. He believes that DOTPF will likely need to come up with a different way of doing business because you can't count on hiring any more people when they aren't out there. "The labor force in engineering and surveyors and CAD people, those people just aren't out there." In the current economy it's possible that more people could come to the state from Outside. He reiterated that he will lose about 1/3 of his workforce in the next few years and believes that he'll need to look at a model that has fewer technical people and more contracted and sub positions. Recently he sent a team to Idaho, Oregon and Washington to look at program management because he estimates that it will take 500 people to produce the \$2 billion in infrastructure for the gas pipeline and that workforce isn't available in the state. A lot more work is going to be outsourced. "Not because I don't want to hire some people; I

just don't think we're going to be able to find the staff. We've got to have more of our kids go to school in engineering and architecture and surveying and business," he said.

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REPRESENTATIVE JOHANSEN asked if the recent hiring freeze will put DOTPF in a "pickle" and if he'll request any waivers.

COMMISSIONER VON SCHEBEN replied he will ask for some waivers but he doesn't believe the department will be in a "pickle." Referencing the expected stimulus he said that outsourcing may be necessary. "I think we can get our help from some of our consulting help and not ... hire permanent staff." Meeting deadlines probably won't present a problem, especially if the stimulus is 180 days out with a deadline. But because of the people we're losing, there will be problems in the long run. Again he said that "We want to fill some of those positions."

REPRESENTATIVE JOHANSEN questioned whether outsourcing is okay under a hiring freeze; he understood that the reason for the freeze was to save money.

COMMISSIONER VON SCHEBEN replied he has to get certain work, such as stimulus work, done and if he needs to get design projects finished to get the job out to bid, he'll ask for that kind of waiver. "I would be missing the boat if I couldn't get my work done."

REPRESENTATIVE MUÑOZ referred to the request to put money into the Prince Rupert dock and asked if he's aware of the Canadian Pacific plan to expand the ore terminal and if that might present conflicts with the dock construction. That question was directed to the AMHS director, but she hasn't received an answer, she said.

COMMISSIONER VON SCHEBEN replied he knows that the dock was repaired and he would provide additional information after he looks into it.

CO-CO-CHAIR WILSON asked him to bring the information to the next meeting.

1:57:25 PM

REPRESENTATIVE JOHANSEN noted that 25 of 99 harbors are still owned by the state and asked if additional transfers are planned.

COMMISSIONER VON SCHEBEN said the state would like to transfer more to cities, "but there's nothing coming across my desk for a big push."

REPRESENTATIVE JOHANSEN asked if there is a contingency for a third state-owned international airport at Ketchikan. The state owns the airport and Ketchikan operates it, he added. "We can get out of that and give it back to you basically. ... Along with getting the airport back you would be responsible for providing access to that airport I would assume," he said.

COMMISSIONER VON SCHEBEN replied it is something to think about, but nothing about that has crossed his desk.

REPRESENTATIVE JOHANSEN highlighted the basic maintenance issues related to roads around Ketchikan and remarked that the Southeast Region indicated there wouldn't be any money until July 1. Do you need more money in your maintenance operation or do we just wait a few months to get potholes filled come April?

COMMISSIONER VON SCHEBEN said he'd get back to him because he doesn't know.

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CO-CHAIR WILSON asked him to elaborate on the 511 program.

COMMISSIONER VON SCHEBEN explained that it's as simple as calling 511 and stating which road you want information about.

REPRESENTATIVE GRUENBERG asked what direction DOTPF is taking regarding bridges that might be unsafe.

COMMISSIONER VON SCHEBEN replied there are three bridges on the Seward Highway that have timbers that need to be replaced. All three should be fixed by the end of the summer. Bridges are getting older but none are unsafe. You need a program, federal funds are available and "we're getting to it," he said.

[2:02:20 PM](#)

REPRESENTATIVE JOHANSEN recalled testimony last year that indicated that the program had sufficient funds to meet the challenges. "I'm not sure anything has changed, but we felt comfortable with that," he said.

COMMISSIONER VON SCHEBEN clarified that the program hasn't changed; bridges are inspected every two years.

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FRANK RICHARDS, Deputy Commissioner, Department of Transportation and Public Facilities, explained that after the I-35 bridge collapse in Minnesota, DOTPF engineers inspected all bridges with a similar gusset plate. The bridges were found safe. Over the years DOTPF has used federal highway funds for bridge rehabilitation and repair so they aren't structurally deficient according to the federal categorization. The GEO bond vote last year provided \$20 million in emergency funds for use on bridges around the state. Those funds are being used on the three bridges on the Seward Highway mentioned previously. "Otherwise we would be here asking for possibly \$10 million for needs for those three specific bridges in our system." Bridge safety is a critical part of their mission and they take it seriously. As needs are defined during biannual bridge inspections funds are sought to accomplish the work.

CO-CHAIR WILSON asked how many bridges are under state auspice.

MR. RICHARDS offered to get the specific information. Some bridges are "off-system" and he believes that borough mayors will approach the Legislature asking for help to repair those community-owned bridges.

CO-CHAIR WILSON asked him to specify which bridges belong to the state and which to municipalities.

MR. RICHARDS agreed. The Legislature was helpful and last year provided funds to inspect some of those off-system bridges, he added.

Overview: Statewide Transportation Improvement Program (STIP)

2:06:35 PM

CO-CHAIR WILSON announced the committees next would hear about the Statewide Transportation Improvement Program (STIP).

JEFF OTTESEN, Director of Program Development, Department of Transportation and Public Facilities, said he is responsible for programming federal funds that are used for highways, bridges, ferries and some other things. He explained that federal law requires each state to have a STIP so it can allocate the federal highway money it receives. Spending must be prioritized on a four-year horizon. Recently the fiscal constraint rules were changed to require more frequent balancing between the STIP and the projects. That is difficult because they deal with estimates on revenue from the federal government and estimates

on the cost of construction. Firm information typically comes at the last minute so the STIP has to be amended as things change.

2:09:02 PM

REPRESENTATIVE GRUENBERG asked if state law requires the STIP or fleshes out the federal requirements.

MR. OTTESEN replied there is state law that amplifies federal law. He offered to elaborate on the law and specific regulation in a separate communication.

REPRESENTATIVE GRUENBERG said he'd appreciate that. "So we know what our jurisdiction in the matter is too."

MR. OTTESEN continued with the PowerPoint. Both federal and state rules require a substantial and specific public process. Thus DOTPF must communicate with transportation providers, metropolitan communities, non-metropolitan communities, and tribes. The STIP must also conform to the long-range transportation plan meaning that projects are put on a plan that has a 20-year horizon and when the STIP is written it must reflect which projects on the plan will be funded and executed. Finally, the STIP has to be reviewed and approved by the Federal Highway Administration and the Federal Transit Administration before the state can use the money.

The STIP deals with the federal Surface Transportation Program and historically those funds could only be used on top-level roads, bridges and ferries. In 1991 an Alaska-specific amendment passed to allow the use of STIP dollars on any public road, which roughly tripled the roads that were eligible. Since that time STIP dollars have been used on many local roads and even boardwalks throughout the state. Public ferries and terminals, public transit systems and public bike and walking trails that serve a transportation purpose are also eligible for those dollars.

REPRESENTATIVE GRUENBERG asked if STIP dollars could be used for bike paths in urban areas.

MR. OTTESEN said yes and they're routinely used that way. "This just gives you an example of the scale difference between the classes of transportation facilities that we in Alaska can fund with our STIP program," he said.

2:14:02 PM

But when there's more eligibility there is more competition for limited funds. "The federal program today is simply not big enough to meet all the original plus all the new categories of need that are out there." People in the villages want basic access, sanitation roads, dust control and more. Urban areas deal with issues associated with congestion, growth and safety. Other competition comes from the ferry system and the rural highway system. The Parks, Glenn, and Richardson highways don't have much traffic but they do serve the arteries of commerce.

2:15:00 PM

MR. OTTESEN displayed a multi-colored and banded pyramid chart to explain different road classes. Each band represents the percentage of miles of road that fall within each class. 18 percent of the roads are arterial and 62 percent are local. The different colors reflect ownership; green represents state ownership, yellow represents local government ownership and brown represents federal ownership. The chart demonstrates that DOTPF is the primary owner of the top three classes of roads. Local roads are largely owned by local government. Most of the federal roads are logging roads that are owned by the U.S. Forest Service.

MR. OTTESEN said the pyramids indicate that the state owns and maintains 92 percent of the high functions class routes in the state. Those routes constitute just 30 percent of the system, but that's where 75 percent of all travel and 86 percent of accidents occur. He continued:

It really is three roads that are the most important to the state's economy. And it's a very important thing to understand because I think what's happened with the distribution of money being eligible to everything [is that] you could argue that we're not spending enough money on the roads that make a difference to the economy.

2:18:06 PM

MR. OTTESEN said that Alaska's STIP has four funding categories: the National Highway System has 2,100 road miles of high functional class highways; the Alaska Highway System has 1,500 miles of road that are largely city-to-city connections; the Community Transportation Program covers most of the community and some state roads; and the Trails & Recreational Access for Alaska.

CO-CHAIR WILSON asked how many miles of road are in the CTP category.

MR. OTTESEN replied it's about 10,000 miles less the mostly logging roads, which won't see any STIP dollars. The focus is on the minor collector roads. Those are more important than the local, largely subdivision, roads. There isn't enough money for everything and "whenever you have scarcity you do have to prioritize."

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MR. OTTESEN displayed a pie chart to show how the money is distributed. The CTP and TRAAK categories represent 41 percent of the funds that are eligible for community nominations. Federal law requires that a portion of the money is allocated directly to Anchorage and Fairbanks leaving the non-metropolitan communities in the state to compete for the remaining 65 percent. "We are clearly among all 50 states sharing more of our STIP dollars with local government than any other state DOT."

CO-CHAIR WILSON asked how the department decides which roads to fund.

MR. OTTESEN explained that they use a scoring system and they treat it like a Bible. The problem is that several years ago the price of individual projects started consuming more and more money. Previously the STIP could deliver 10 to 12 projects a year and this year there's a project that will go out for \$40 million and there is just \$65 million for the entire state. Inflation is rising and the actual dollars going into the program are falling. "We're down to 1 or 2 projects a year."

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REPRESENTATIVE JOHANSEN noted that NHS and AHS represent 56 percent of the pie and asked if marine highways are eligible for those funds.

MR. OTTESEN replied AMHS draws largely from NHS but some marine highway terminals draw from AHS. He continued to explain that historically the ferries have been NHS eligible and the terminals were eligible for either NHS or AHS depending on whether they touch an NHS highway. The Skagway terminal ties into an NHS highway so it is NHS eligible while the Angoon terminal receives AHS funds because it does not touch an NHS highway.

REPRESENTATIVE JOHANSEN asked how much leeway DOTPF has to arbitrarily score a project higher or lower.

MR. OTTESEN replied the scoring is quite strict. The problem isn't with the scoring system; the core problem is the amount of money, he said.

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REPRESENTATIVE JOHANSEN asked if the strict scoring is coming from DOTPF or from the federal government. He expressed the view that it's one thing if it's internal and quite another if it's coming from above.

MR. OTTESEN explained that six high-ranking members of the department do the scoring—three from the regions and three from headquarters. They carefully follow the published criteria and the scores come out as they do. "There's a lot of deliberation that goes into that process. We're reading the criteria, we're reading the material about the project and we're assigning scores against those criteria."

CO-CHAIR WILSON asked about fairness.

MR. OTTESEN said he's not sure there is fairness. They deal with rules and laws and remain dedicated to the end result, which is to build projects. It's a simple fact that all projects don't proceed at the same pace once they're approved.

[2:28:23 PM](#)

REPRESENTATIVE GRUENBERG asked if there is anything the Legislature can do to simplify the process.

MR. OTTESEN replied it's a good question. Each time the bill comes up and they ask for streamlining they instead get more complexity. The 2007 federal regulations are incredibly difficult, he said. They've added time and process and that often means expense and staff time.

REPRESENTATIVE GRUENBERG again said he'd like to see what can be done to make the process simpler. He then questioned whether the Legislature should look at bonding, which would entail removing strictures in the constitution—"looking at GARVEE bonding and that sort of thing." He solicited a comment.

MR. OTTESEN said his only comment is that there aren't as many rules when state money is used and that's an advantage because projects go faster.

[2:31:10 PM](#)

SENATOR MENARD observed that the pie chart was dated 2005 and asked if the percentages had changed.

MR. OTTESEN replied they're still quite accurate.

REPRESENTATIVE JOHANSEN expressed frustration with the scoring and deliberative process. "Depending on who's in that room making decisions, some projects get funded and some projects don't." He said he'd like a detailed response.

[2:32:31 PM](#)

MR. OTTESEN suggested that the next slide, which outlines how projects are selected, might help. To get into the STIP a project has to be on an approved state transportation plan. He continued:

First we do a plan and then we write a more detailed spending plan to execute that project. So that's the dominant pathway; that's how most NHS projects AHS projects get in. We use our state-developed state-prepared transportation plans.

We also use the management systems that are prescribed in federal law. And the management system is essentially a tool that's developed. We collect a lot of data about pieces of the system like bridges or like safety conditions and then we rank and sift needs using the data in those systems. They're very well developed; they are prescribed in federal law and some of the safety systems apply to both state and federal roads—for example, safety for the bridge ranking system. You heard today about bridge inspections. Well it's the inspections then that get turned into numbers, which get turned into a bridge ranking system that tell us which bridges to go either correct or replace. We have the same kind of system for pavement. The pavement management system focuses only on state roads. It's not prescribed that we look at local roads.

Those are the two dominant ways. Those are the two that are set out in federal law. But go back to the 1991 change. We had this 1991 change that suddenly opened up our universe of projects to everything in this state—unlike any other state in the union. So how do we get those projects selected? We're not doing plans for local government. We don't do plans for locally owned roads. We don't always have them in our

management systems. But we had a gap. We had a gap in the system that said we have a universe of potential eligible projects now but no way to identify what's most important. We came up with the scoring system. ... It's been evaluated nationally; there was a report that came out last year that gave us a gold star for that scoring system. It said that we have one of the best scoring systems in the country.

I'm personally convinced that our problem is not that we don't want to build roads, not that we aren't picking good projects, it's just that when the list is this long and we can only do a little tiny bit of it every year, there's going to be a lot of upset people who feel like their project should be a little bit higher than it was. No matter what we did, no matter who we move to the top, there would be 98 percent of that list that doesn't get funded that year and that's a system that's never going to satisfy people effectively.

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REPRESENTATIVE DOOGAN asked how a proposal like the road to Nome gets into the matrix.

MR. OTTESEN replied it's a planning document that identifies the potential costs and benefits for that corridor. If the recommendations came out to proceed, it probably wouldn't be scored because it's a state-owned project. It would end up in a plan and DOTPF would have to figure out funding.

REPRESENTATIVE DOOGAN asked if he's saying that the state would not seek federal funding for that project.

MR. OTTESEN replied they would consider federal funds but that would be several years in the future. It would be an expensive project.

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REPRESENTATIVE DOOGAN remarked that the problem is that the road to Nome would consume all the STIP dollars for an unknown amount of time.

MR. OTTESEN cited an example of a large project that was ultimately broken into smaller pieces. "There has to be some reality check; remember the STIP is fiscally constrained," he said.

SENATOR PASKVAN asked if the scoring is reactionary depending on roadway incidents.

MR. OTTESEN acknowledged that accident history is one of about a dozen criteria, but they won't dominate the scoring.

SENATOR PASKVAN asked if discretion figures in if the accident results in a death or serious injury.

MR. OTTESEN replied there is an existing safety system that does that. DOTPF staff receives and stores the accident data that has been scored on scene by law enforcement. The data can be retrieved to look for accident hot spots. The existing highway safety improvement system is very effective in finding hot spots and making corrective action. Fatalities are lower now than anytime in state history. "I feel real good about our safety record and how we're achieving better safety results," he said.

CO-CHAIR WILSON asked him to provide the criteria at the next meeting.

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MR. OTTESEN agreed; it's available on the web and out for public comment right now, he added. He continued to explain that each region has three or more area planners who really are the point of contact. Area planners go to city council meetings and help with forms so people and resources are available. It's a good system; the core issue is the money we don't have to address these needs, he said.

REPRESENTATIVE JOHANSEN recalled that the road to Nome was part of the road to resource issue under the Murkowski administration. He asked if that is simply a label or if there is something under roads to resources that helps to get a project done.

MR. OTTESEN explained that the large road to Nome wasn't in the resource road program. The criteria for the resource road program is new since the Murkowski administration. The problem is that the program only has about \$8 million left.

REPRESENTATIVE JOHANSEN asked if the designation makes it easier to get things done.

MR. OTTESEN replied a project that's funded with state money can go fairly quickly.

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REPRESENTATIVE MUÑOZ asked what the deadline is for submitting STIP nominations and if projects in the current STIP are automatically rolled into the update.

MR. OTTESEN replied the deadline was just extended until March, 2. Responding to the second question he said that once design work has been done on a project it is grandfathered in the STIP. "We're not going to rescore something that's already begun."

Continuing with the PowerPoint he said that in Alaska there are two types of Metropolitan Planning Organizations in the state—AMATS and FMATS. They receive an allocation of funds and are the transportation authority within Anchorage and Fairbanks. State roads are included in the two geographic areas.

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MR. OTTESEN described the rules associated with the federal highway fund program as challenging. For example, there are 120 different funding types some of which are age classed and require independent tracking each year. Also, most of the funds have a use-or-lose rule. If some project is stalled, for whatever reason, DOTPF must find another project to use the money on or those dollars will go to another state. "The proper decision for DOT is to ensure that these dollars don't leave the state even if we have to slow down a project for some challenge we're not responsible for." Furthermore, funding types and time limits often drive project choices. For example, in 2008 a considerable amount of money had to be spent on safety or bridges so those were the projects that went forward.

Because DOTPF staff has had to become experts on all the new rules, the retention issue addressed earlier has become particularly problematic. As employees retire or move out of state the department loses valuable assets. It takes about three years to get up to speed on how to handle the various fund classes.

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The ever more earmarks, which are preordained decisions about how money will be spend, essentially short circuit preexisting planning. Often earmark projects aren't fully funded leaving the department with the conundrum of using more STIP funds to flesh out the earmark funds or telling the community fund the rest of the project itself. "No matter how you make that decision somebody finds fault with it." Another thing that's happened, he

said, is that there is a new pattern of rescissions—ways that Congress is taking money away. For example, if money is left over from a 2005 project, DOTPF may only use those excess funds on a project that is in the same age class. “We can’t put it to a project in 2009.” Finally, the “time trap rule” is being strictly enforced. As of last June all projects that were started with federal funds are required to be completed in due course or the state is obligated to give the money back. The policy states that lack of funding, change of political direction or lack of staff are not valid reasons for not completing a project.

REPRESENTATIVE JOHANSEN asked if DOTPF is required to expend all the money allocated for a project if the preferred plan costs less. For example if \$220 million is available for a bridge in Ketchikan and an alternative only costs \$100 million. “What happens to the other \$120 [million]?”

MR. OTTESEN explained that if the environmental document is redone and the preferred alternative costs less and it serves the purpose and need of the project, then that would meet the intent of the federal law. “It’s about achieving the transportation solution.”

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MR. OTTESEN next displayed a graph that clearly demonstrates a dramatic drop in money allocated to the NHS and the CTP beginning about 2005 as a result of SAFETEA-LU numbers and earmarks, rescissions and set-asides.” Highway fund rescissions began as a trickle in 2004 and in 2009 almost \$55,000 will be rescinded. “These are dollars we have to give back,” he emphasized.

REPRESENTATIVE GRUENBERG asked about the possibility of diverting those funds to other projects.

MR. OTTESEN replied it's in federal statute, but there is a move for Congress to rescind the decision.

REPRESENTATIVE GRUENBERG asked if any states are considering litigation in this area.

MR. OTTESEN replied not that he’s aware of and added that the rescissions were designed to balance the books. Continuing, he displayed a map showing about 80 completed projects that would have been ineligible prior to the Alaska-specific 1991 law that opened other road classes. Eight or nine projects a year have

gone to the villages so it's been good, but they have taken available money from big projects, he said.

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2009 projects are fully funded and stimulus funds are a possibility so it looks like a healthy year. Beginning in 2010 there's a predicted deficit in the highway trust fund and Congress has to pass a new authorizing bill within the next eight months. Concerns about that new bill relate to formula and allocation changes such that Alaska might no longer garner \$6 for every \$1 it puts in. He suggested that transportation will be used as a way to drive policy related to greenhouse gases and global warming. What that means to Alaska is unclear but "there's a lot to worry about," he said.

The next graph provided a 50-year picture of the highway trust fund between 1957 and 2007. For 30 years the balance was about \$10 billion; it jumped to more than \$20 billion during the "dot com" boom and has since fallen off. The highway trust fund began FY08 with a net balance of \$8 billion and late in the fiscal year it became insolvent. People simply stopped driving which resulted in less fuel taxes going to the fund.

CO-CHAIR WILSON asked if other states suspended their state fuel tax as Alaska had done.

MR. OTTESEN replied not that he's aware of. He continued to say that in September 2008 Congress put \$8 billion general fund dollars into the trust fund. "It was essentially the first drop of the bailout money because it happened about two weeks before the banking crisis hit." The projected FY09 ending balance is zero meaning there will be no extra money in the fund starting in 2010. Fixing the problem will require another bailout or a tax increase. Our challenge going into the next year is what Congress does to solve the problem.

The current 2006-2009 STIP calendar may be amended before it expires in eight months, but it depends largely on the stimulus. The 2010-2013 STIP must be prepared by the beginning of the federal year on October 1. A call for nominations is out and the draft STIP will be ready by the end of summer.

In summary: the STIP rules are more complex and demanding than ever; federal funds are declining and becoming less flexible; DOTPF shares more STIP funds than any other state DOT; and big policy changes could be coming.

CO-CHAIR WILSON thanked Mr. Ottesen and announced that the next meeting would be an update on the Alaska Marine Highway System and proposed Alaska class ferry.

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CO-CHAIR WILSON adjourned the joint meeting of the Senate and House Transportation Standing Committees.