

HOUSE FINANCE COMMITTEE
February 2, 2011
1:32 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

Representative Reggie Joule

ALSO PRESENT

Representative Mike Chenault; Dr. William Doolittle, Chair, Board of Trustees, Alaska Mental Health Trust Authority; Dr. Laraine Derr, Vice Chair, Board of Trustees, Alaska Mental Health Trust Authority; Paula Easley, Secretary/Treasurer, Board of Trustees, Alaska Mental Health Trust Authority; Jeff Jessee, Chief Executive Officer, Alaska Mental Health Trust Authority; Mark A. Luiken, Commissioner, Department of Transportation and Public Facilities; Laura Baker, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Representative Alan Austerman; Captain John Falvey, Jr., Manager, Alaska Marine Highway System, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

SUMMARY

Budget Overviews:

Mental Health Trust Authority

Department of Transportation and Public Facilities

^BUDGET OVERVIEW: MENTAL HEALTH TRUST AUTHORITY

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DR. WILLIAM DOOLITTLE, CHAIR, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, introduced the members of the Mental Health Trust Authority Board of Trustees: Dr. Laraine Derr, Vice Chair; Paula Easley, Secretary/Treasurer Mary Jane Michael, Larry Norene, Russ Webb, and Mike Barton. He provided a PowerPoint presentation (copy on file) and listed the trust beneficiaries (Slide 2):

- People with mental illness
- People with developmental disabilities
- People with chronic alcoholism
- People with Alzheimer's disease and related dementia

Dr. Doolittle delineated the guiding principles of the trust (Slide 3):

- To improve the lives of Trust beneficiaries, The Trust is committed to:
 - Education of the public and policymakers on beneficiary needs;
 - Collaboration with consumers and partner advocates;
 - Maximizing beneficiary input into programs;
 - Prioritizing services for beneficiaries at risk of institutionalization;
 - Useful and timely data for evaluating program results;
 - Inclusion of early intervention and prevention components;
 - Provision of reasonably necessary beneficiary services based on ability to pay.

Dr. Doolittle cited Slide 5, "Trust Advisors":

- Alaska Mental Health Board
- Advisory Board on Alcoholism & Drug Abuse
- Governor's Council on Disabilities & Special Education
- Alaska Commission on Aging
- Commissioners of Health and Social Services, Natural Resources, Revenue, and Corrections
- Alaska Brain Injury Network
- Statewide Suicide Prevention Council

Co-Chair Stoltze asked why it was important that certain agency commissioners interact with the Trustees. Dr. Doolittle reported that the commissioners of the Department of Health and Social Services (DHSS), Department of Natural Resources (DNR), Department of Revenue (DOR) and the Department of Corrections (DOC) interact with the Trust. He noted that Trust resides in DOR and the Trust's Land Office (TLO), located within the Department of Natural Resources, deals with the Trust's non cash assets.

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Co-Chair Stoltze queried the evolution of the trust in the area of resource development and future development plans.

Dr. Doolittle discussed that the easy resource assets, i.e., timber and land had been sold as needed. The current focus of the trust was on the development of new resources. He reported that the director of the Trust Land Office (TLO), Greg Jones was charged with developing new resource based non-cash assets. The TLO developed a mechanism to stimulate production of non-cash assets.

Co-Chair Stoltze referred to a resolution passed by the legislature in support of the revenue stream from resource extraction developed by the trust. He emphasized the strong commitment from the legislature. Dr. Doolittle mentioned that future challenges threatened development of non-cash resources. Co-Chair Stoltze reiterated his support for resource extraction to benefit the Trust.

DR. LARAINÉ DERR, VICE CHAIR, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, related that she was chair of the Finance Committee for the Trust. She spoke to trust funding for FY 2012 (Slide 6):

Trust Fund Payout 4.25 %	\$17,060,000
Prior Year Lapse	4,145,000
Land Office Income	1,800,000
Interest	1,100,000
Total Projected	\$24,105,000

Dr. Derr detailed that the permanent fund payout was the dominant source of income each year. The permanent fund decreased last year, resulting in approximately \$3 million drop in trust funding.

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Dr. Derr explained that the Trust used a four year rolling payout that helped temper sudden declines or increases in income. The Trust received grant money and reincorporated lapsed funds into their budget. She added that besides land sales, which has declined, there had been income from coal, oil, gas, and gas leases. Some of the land income was used to develop the land office; two additional positions were added. The Trust kept a budget reserve in DOR that generated \$1.1 million in interest for the FY2012 budget. Dr. Derr concluded that the Trust would pursue opportunities in resource development in order to keep the fund thriving in perpetuity.

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PAULA EASLEY, SECRETARY/TREASURER, BOARD OF TRUSTEES, ALASKA MENTAL HEALTH TRUST AUTHORITY, discussed the trust's formula for success (Slide 7):

- Identify a problem or community need
- Collaborate with governmental agencies, advisory groups, non-profits, service providers, philanthropic organizations and private sector
- Develop strategic, sharply focused solutions
- Make lasting system improvements for Trust beneficiaries

Ms. Easley stressed the importance of collaboration with government agencies at all levels, the private sector, and most importantly, the advisory boards. She described the many roles of the trust to help beneficiaries improve their quality of life.

Ms. Easley directed attention to a chart depicting a comprehensive mental health service assessment for all communities in the state in 2004:

- levels of service
- community education
- prevention
- outreach
- assessment
- out-patient/residential services
- rehabilitation/detox services
- emergency services

She reported that the Trust must consider all assessment factors before sound fiduciary and implementation decisions were made.

Ms. Easley described the five focus areas of the Trust (Slide 8):

- Bring the Kids Home
 - reforming Alaska's mental health care for children and adolescents so they are diagnosed earlier and are treated as close to home as possible
- Workforce Development
 - creating an available and competent workforce for Trust beneficiaries and service providers
- Disability Justice
 - reducing the involvement and recidivism of Trust beneficiaries in the criminal justice system
- Affordable, Appropriate Housing
 - increasing a continuum of housing options for Trust beneficiaries
- Beneficiary Projects Initiative
 - supporting grassroots, peer-to-peer programs for Trust beneficiaries

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JEFF JESSEE, CHIEF EXECUTIVE OFFICER, ALASKA MENTAL HEALTH TRUST AUTHORITY, provided details about the five focus areas beginning with the Bring the Kids Home (BTKH) program (Slide 9):

- Problem
 - FY06: 743 Alaskan children with severe emotional disturbances received out-of-state residential psychiatric treatment services
 - separated from families, communities
 - difficult transitions back to Alaska
 - length of stay varies from several months to multiple years
 - cost = \$40 million Medicaid paid to out-of-state providers
- Committed partners
 - DHSS, Dept. of Education & Early Development, Denali Commission, Trust partner boards, Alaska Native health providers, other service providers, parents and youth
- Strategic thinking
 - Each child treated at appropriate level of care as close to home as possible
 - Build appropriate treatment facilities in Alaska
 - Increase capacity/core competence for outpatient services
 - Provide family supports
 - Involve parents and youth in the solutions

Mr. Jessee voiced that a key to the success of the program was to identify the youth early on and provide timely intervention and prevention services to avoid more costly residential treatment later.

Mr. Jessee directed attention to a bar graph depicting BTKH reinvestment (Slide 10) and the shift from out-of-state residential psychiatric treatment services (RPTC) to in-state expenditures. The program went from a high of 435 children out-of-state in residential care to 90 today.

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Co-Chair Stoltze pointed out the legislature's initial skepticism of the program to the recognition of its growing success.

Representative Gara commended work on the BTKH initiative. He asked whether the trust had enough money to complete their initiatives. He commented on the absence of a formula

dictating the amount of matching money from the state. Mr. Jessee viewed that the trust was the state's mental health venture capital fund. The trust proved versatile in providing initiative infrastructure, such as program coordinators, databases to gather information, evidence, and research. He elaborated that the Trust was able to provide hard data to the legislature to support its strategies for treatment and resulting funding requests. He noted the legislature's reluctance to take over program funding. He discerned that the legislature can examine the trust's data and decide whether the investment was worth it. He believed that the Trust's method of providing results, data, and venture capital to develop initiatives drove the policy and budget options the legislature needed to make good funding decisions.

Dr. Derr remarked that 60 percent of the Trust's funding requested this year was for continuing existing programs.

Ms. Easley pointed out that once a BTKH project was over in a community the facilities and programs are still in place and helping other people.

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Mr. Jessee acknowledged concern about increased Medicaid costs. He stated that the trust was engaged in on-going conversations with the commissioner of DHSS regarding containment costs as and better delivery of services to clients. For example, he noted the use of intensive case management. A relatively small percentage of Medicaid recipients use most of the resources. He believed that partnering with the department and implementing intensive case management for high-end users to better coordinate services for beneficiaries. The results were cost reduction and containment. He reported that the strategy resulted in the Medicaid cost reductions depicted in the graph on slide 11.

Mr. Jessee cited the decrease in recidivism rates depicted on a graph (Slide 12) for youth leaving residential psychiatric treatment centers (RPTC) in-state and out-of-state from FY 2001 to FY 2010. The key was community support.

Mr. Jessee discussed BTKH funding for FY 2012 (Slide 13). He highlighted that the trust contributed over \$1.5 million to

the BTKH program. He reported that the governor's [proposed] contribution in FY 2012 was \$993 thousand. He asserted that a dialog with the legislature and administration was needed to develop goals to end the BTKH program. He claimed there were three ways to approach the issue:

- 1) Agree on a programmatic outcome.
 - o Determine the irreducible number of children that must be treated out-of-state, (estimated at 50 to 75); develop a continuum of care with associated costs.
- 2) Ask how much more the trust and State are willing to spend. The approach may not guarantee desired results.
- 3) Use the current approach; the slow play of the initiative which only stretches out the initiative and increased costs.

Mr. Jessee stressed that a strategy was needed to successfully conclude the initiative.

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Representative Edgmon asked if any of the BTKH funding was related to the governor's "Choose Respect" campaign [domestic violence and sexual assault initiative]. Mr. Jessee emphasized that there was a direct correlation to domestic violence in the home and the need for expensive RPTC. He polled the BTKH residential care providers to find out the number of residents exposed to domestic violence in the home; estimated at 75 to 100 percent. The exposure left the children at extreme risk for becoming victims, future perpetrators, substance abusers and having mental health problems. The trust in partnership with the governor's initiative was exploring ways to break the inter-generational transfer of the problems before the need for high end care. He believed that the next stage of the BTKH initiative should be "keep the kids home." He concluded that there was a very close connection to the governor's initiative and the next phase of BTKH.

Mr. Jessee moved on to the subject of workforce development, Slides 14 and 15 (Slide 14):

- Problem
 - shortage of health care workers in Alaska at a near-crisis level
 - health services industry fastest growing sector of Alaska's economy, more than 7% of workforce
 - burgeoning demand for increased health services for the state's steadily growing and aging population, some are Trust beneficiaries
 - need to increase pool of qualified employees in Alaska who serve Trust beneficiaries and keep adequately trained
- Committed partnerships
 - more than 20 partners --service providers, Dept. of Health and Social Services, Dept. Labor and Workforce Development, Alaska Workforce Investment Board, non-profit and faith-based organizations, University of Alaska system
- Strategic thinking
 - key strategies
 - Recruitment and retention
 - Wages and benefits
 - Training and education

"Results for Beneficiaries" (Slide 15):

- 2,449 students in 137 Alaska community received behavioral health training through the University of Alaska, a 16.8% increase in individuals trained from 2009
- 334 providers across Alaska attended 1,160 distance delivery and on-site training sessions on behavioral health related topics through the Trust Training Cooperative
- 470 professionals across Alaska were trained through Training and Technical Assistance for Providers program, increasing capacity of providers to respond to disability related abuse cases
- 1,222 individuals from around the state received distance delivery and on-site training on autism through the Autism Resource Center

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Dr. Derr interjected that the Trust's resource and non-cash assets development provided jobs for about 600 beneficiaries.

Mr. Jessee stated that the Trust's first workforce priority was funding for creation of a psychiatric residency program in Alaska. He explained that the state must hire and house very expensive temporary psychiatrists due to a severe shortage (20 psychiatrists) in the state. Research has shown that Alaska was not an option to psychiatric interns because the state does not have a residency program. He argued that Alaska could not programmatically or financially afford to rely on visiting psychiatrists. He identified that the initial residency cost was \$202,000 (Slide 17). He warned that the program was expensive. The entire cost amounted to \$1.6 million general fund. He stressed that the residency was a solution to a critical problem in the state.

[2:18:20 PM](#)

Mr. Jessee turned to affordable appropriate housing (Slide 18):

- Problem
 - 4,982 Alaskans homeless in HUD point-in-time survey January 2010
 - Families w/children and households nearly doubled in one year
 - 2,836 people in families w/children - 822 households (January 2010)
 - 1,507 people in families w/children - 494 households (January 2009)
 - 1,270 individuals reported at least one prior episode of homelessness in Department of Corrections survey 2
- Committed partners
 - Alaska Council on the Homeless: Alaska Housing Finance Corporation, DHSS, DOC, DOL, Public Safety, Veterans
 - Housing development organizations and social service agencies
 - Local affordable housing and homeless coalitions
- Strategic thinking
 - Adapting programs for sustainability -replicating housing
 - trust strategies (Special Needs Housing and Homeless Assistance Program -HAP)
 - Replicating Housing First model in numerous settings

1. http://www.ahfc.state.ak.us/grants/homeless_survey_reports.cfm
2. Department of Corrections 2010 Homeless Offender survey

Mr. Jessee offered that over 5,000 Alaskans were homeless at any given time. He stressed that beneficiaries would not be successful without housing.

Mr. Jessee referenced Slide 19 depicting a bar graph of pilot programs that provide safe and affordable housing to beneficiaries in psychiatric or correctional facilities. He noted the connection between recidivism and homelessness in the corrections population.

Mr. Jessee pointed to Slide 20 "Ahead in FY12".

- Policy -Governor's Council on the Homeless
 - o State interagency collaboration modeled on federal agencies' efforts
 - o 10-year homeless plan and budget recommendations being implemented
- Budget - \$10 million annual recommendation for 10-year plan
 - o The Trust, AHFC, GF/MH and other funding sources
 - o Housing units requested through Special Needs Housing grant program and Homeless Assistance Program increased
 - o Housing units targeted at chronically homeless and low income people with disabilities
- Effective program models implemented
 - o Trust/DHSS Bridge Home pilot project expansion to serve most challenging of individuals cycling through API and DOC
 - o Replication of *Housing First* to serve beneficiaries who are homeless with alcohol addiction reductions
 - Resulted in cost reductions of \$4 million in Seattle in 12-month period (Medicaid reduced to 56%, sobering

center down 87%, homeless shelter use down 92%)

- Drinking decreased 30% in Seattle participants due to engagement and assistance with goal setting/compliance while stable in housing
- Long Term Care strategic planning for Alaska
 - o Cost containment through emphasis on lower levels of care for seniors and people with disabilities.

Mr. Jessee noted an Anchorage program that offered homeless housing without sobriety as a pre-condition. He stated that chronic inebriate care was very expensive. Dramatic results were experienced in the chronic inebriate population in the program; significant reduction in high end care costs and drinking problems.

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Ms. Easley added that many of the people in the homeless facilities have jobs at the facilities or find jobs in the community, resulting in improved quality of life for the beneficiaries.

Representative Gara expressed frustrations with the gap between need and services for substance abuse treatment. He asked whether there was a comprehensive blueprint for a successful solution rather than "nickel and diming" the problem. He related a story about a mother who waited a year to get treatment while the state paid for her children's foster care.

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Mr. Jessee replied that the state lacked a comprehensive needs assessment to assess what it would take to meet the unmet demand for treatment. He noted a recent partnership with the Trust, Rasmussen Foundation and the Mat Su Health Foundation that created an alcohol/substance abuse initiative to develop strategies to address the problem. The ex-commissioner of the DHSS, Dan Hogan will coordinate the public and private sector partnership for the initiative.

Mr. Jessee furthered that the state lacked substance abuse treatment on demand for domestic violence and sexual assault victims.

Dr. Doolittle elaborated that the problem directly related to the inadequate number of psychiatric health care providers in the state.

Representative Neuman relayed an incident with a developmentally disabled constituent who was institutionalized against his family's wishes. He opined that the system failed the family miserably. He asked how the trust can ensure better outcomes. Mr. Jessee responded that the balance between fiscal responsibility of the public money and best meeting the needs of the community was a difficult challenge in the field. He reiterated the need to balance responsible disbursement of public resources and successful outcomes for the beneficiaries.

Mr. Jessee directed attention to disability justice (slide 22).The slide depicted bar graphs showing the number of youth and adult beneficiaries in the juvenile justice and correctional systems. He reported that 42 percent of incarcerated adults and 46 percent of youth involved with the juvenile justice system were Trust beneficiaries. He elaborated that the Trust sought to develop strategies to reduce the number of beneficiaries in the juvenile justice and correctional systems.

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Mr. Jessee shared that the commissioner of DOC acknowledged the connection between the availability of social and support services and the corrections population. He warned against the escalating and exorbitant costs of building more prisons and housing inmates juxtaposed with the lack of social support services. He pointed out that other states such as Texas and Washington have realized that evidence based practices, i.e., Therapeutic Court and Bridge Home programs significantly decrease prison populations and associated costs. He cautioned that there was not a commitment in Alaska to examine the long term policy decisions either to build more prisons or invest in social and support services.

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Mr. Jesse cited Slide 27, "Beneficiary Projects Initiative":

- Community need:
 - consumers active in defining, advocating and delivering recovery support
 - peer services: benefit of lower cost, preventative, evidence-based practices resulting in positive recovery outcomes for beneficiaries
- Partners:
 - 27 beneficiary grantees since 2006
 - Alaska Peer Support Consortium
 - Division of Behavioral Health, Vocational Rehabilitation, Trust Training Cooperative at UAA-Center for Human Development
 - Advisory Board on Alcohol and Drug Abuse, Alaska Mental Health Board, Governor's Council on Disabilities and Special Education
- Strategic thinking:
 - Funding and technical assistance to support safety, effectiveness and sustainability of peer programs and services
 - Training and education for peer support workforce
 - Integration of peer-support specialists across service delivery systems
 - Mini Grants to improve beneficiaries' quality of life
 - \$896,939 to 722 individuals in FY2010
 - Small Projects Grants for small, beneficiary-focused projects
 - \$250,000 annually

Mr. Jesse explained the Beneficiary Projects Initiative. The Trust invested in supported and development of peer and consumer driven organizations providing recovery support and advocacy; decreasing the dependency on government funded service providers and professionals. He noted that peer support was recognized as a critical component of a comprehensive mental health program. He furthered that the Trust spent approximately \$1 million each year on mini-grants paid directly to beneficiaries to improve their quality of life. Approximately 80 to 90 percent of the mini-grant requested was for dental care.

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Mr. Jessee identified the Beneficiary Projects Initiative results (Slide 29):

- Promotes recovery, stability and wellness
- Provides sense of empowerment and connection
- Reinforces consumer choice in managing recovery
- Wide range of beneficiary-led program serving Trust beneficiaries through:
 - o peer-support services
 - o recovery-community support programs
 - o clubhouses
 - o drop-in centers
 - o community outreach and engagement
 - o illness self-management
 - o alternatives to residential treatment
 - o supported employment
 - o training and education
- State-wide presence

Mr. Jessee addressed joint FY 2012 legislative priorities (Slide 31):

- Shared with all legislative advisory boards
- Ensure access to affordable high-quality Medicaid services for Trust beneficiaries
- Fund community-coordinated transportation systems for seniors and Alaskans with disabilities

He announced that the joint legislative priorities and the Trust's partner advisory boards in FY 2012 are: Medicaid and coordinated transportation systems for seniors and the disabled.

Mr. Jessee pointed to the Trust's involvement with two new initiatives (Slide 32):

- Governor's Domestic Violence and Sexual Assault Task Force
- Alcohol and Other Substance Abuse Initiative
 - Partnership
 - o Mat Su Health Foundation
 - o Rasmussen Foundation
 - o The Trust

Mr. Jessee stressed that prevention, intervention, and access to behavioral health was essential to the success of the Governor's initiative. Traditional law enforcement strategies will not work. He restated that a successful conclusion of the BTKH initiative was imperative so more time and resources could be spent on new initiatives.

Dr. Doolittle acknowledged the importance of partnership in problem solving. He referred to a time when the services discussed were not available. He concluded that the key to ensure access to services was implementation of the psychiatric residency program.

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^BUDGET OVERVIEW: DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES

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MARK A. LUIKEN, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, provided a PowerPoint presentation, "Alaska Department of Transportation and Public Facilities Overview, February 2, 2011" (copy on file). He described the mission of the Department of Transportation and Public Facilities (DOT/PF) (slide 1):

- To provide for the safe and efficient movement of people and goods and the delivery of State services.

Commissioner Luiken reported that the department will focus on efficiency. He felt that with reduced federal spending looming, the department's responsibility was to maximize resources and funding.

Commissioner Luiken cited the department's vision (Slide 3):

- Trusted performance-driven organization
- Collaborating with internal and external partners
- Delivering an efficient multi-modal transportation system and public facilities

- Enhancing the quality of life for Alaskans
- Promoting economic resource development

Commissioner Luiken referred to the department's values (Slide 4):

- Integrity
- Transparency
- Outstanding service provided by
 - Continually developing our skills, tools, expertise
 - Developing internal/external relationships
 - Pioneering spirit: innovative ways of doing business
 - Adapting rapidly to opportunities and challenges
 - Quality work force

Commissioner Luiken turned to the organizational flowchart (Slide 5). He introduced departmental staff in attendance: Patrick Kemp, Deputy Commissioner, Highways and Public Facilities, Steve Hatter, Deputy Commissioner, Aviation, Captain John Falvey, Jr., Manager, Alaska Marine Highway System, Laura Baker, Director, Division of Administrative Services.

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Commissioner Luiken continued with the structure of the department. He informed the committee that the Alaska Marine Highway System (AMHS) operated 11 passenger ships, owned 16 terminals, served 32 ports, traveled 3,500 route miles, had 772 on-board employees, and 163 shore side employees. Deputy Commissioner Steve Hatter, lead the aviation section, which implemented airport planning and design, airport development and improvement, aviation safety, and oversaw 255 state-owned airports, including two international airports. Deputy Commissioner Kemp managed maintenance and operations, design and engineering standards of highways. He planned the statewide area transportation infrastructure development and statewide transportation improvement plan. He administered federal highway funds, highway safety programs, commercial vehicle measurements and standards, and statewide planning and construction management of state buildings.

Commissioner Luiken named the three regional directors: Southeast Gary Davis, Northern Steve Titus, and Central Rob Campbel. He noted his confidence in the directors.

Commissioner Luiken identified a map depicting state facilities across Alaska (Slide 6) including state highways, maintenance stations, and state airports. The department manages and maintains 700 public facilities and employs approximately 3,800 people in 85 locations.

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Commissioner Luiken listed the "Governor's Priorities" for DOT/PF (Slide 7):

- Jobs
- Safety
- Roads to Resources
 - Foothills West - road to Umiat
 - Ambler mining district access
 - Western access
- Deferred maintenance

Commissioner Luiken related that the department granted an estimated \$500,000,000 in contracts. He believed that lead to job creation. He noted that the department will leverage \$673,000,000 in federal funds for highways and aviation programs. In addition, the governor requested \$27.1 million in FY 2012 for deferred maintenance.

Vice-chair Fairclough asked how much deferred maintenance the state had in each division. Commissioner Luiken offered to get the information.

LAURA BAKER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, replied that the department had over \$700,000,000 in deferred maintenance needs.

Vice-chair Fairclough shared her concern that \$27 million was a "drop in the bucket" when compared to the total and wanted more specific numbers, broken down between what was expected from the federal government and the state's portion. Commissioner Luiken agreed to obtain the information.

3:06:42 PM

Representative Gara referred to the controversial Knik Arm crossing project and wondered if any funding was appropriated in this year's budget. Commissioner Luiken replied in the negative.

Representative Doogan wanted concrete numbers regarding the construction costs for "Roads to Resources" projects, and the costs for maintenance of the roads. Commissioner Luiken agreed to obtain the information.

Commissioner Luiken referenced "Project Prioritization" (Slides 8 and 9):

- Safety
- Asset Management System
- Pavement, bridges, airports, ferries, transit, maintenance
- 2030 Long Range Transportation Plan
- Regional Transportation Plans
- Aviation Improvement Program (AIP)
- State Transportation Improvement Program (STIP)

Commissioner Luiken mentioned a few programs that the department currently funds to promote Highway safety which is a high priority.

The Highway Safety Improvement program addresses safety corridors.

The Alaska Highway Safety Office in coordination with the Department of Public Safety utilizes engineering, education, and enforcement to foster safe highways.

The Safe Routes to Schools promotes safe travel to and from school.

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Representative Neuman listed Alaskan highways with deadly statistics. He asked if the department will continue to address highway safety as a top priority before building more roads. Commissioner Luiken referred to a letter sent to the committee outlining corrective actions taken by the department. He noted that the previous year was the safest

year on record. He remarked that the department planned to continue to address safety needs. Representative Neuman wanted to assure citizens that there would be a primary focus on safety. Commissioner Luiken affirmed that the issue was his priority.

Representative Wilson discovered that bike trails using federal funds required more property to develop. She queried the ability to revert to state funding for bike trails. Commissioner Luiken offered to further examine the issue.

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Commissioner Luiken continued with project prioritization. He asserted that asset management was also related to safety. He briefly discussed the Airport Improvement Program (AIP) and the Alaska Statewide Transportation Improvement Program (STIP). He offered that the AIP was driven by the FAA's four cornerstone priorities: runway safety, pavement improvement, access, and safety. He detailed that the STIP determines the department's project schedule. The department was currently on amendment 15 of the STIP. Any change to a project required an amendment to the STIP.

Vice-chair Fairclough inquired about the affect the American Recovery and Reinvestment Act (ARRA) funding had on project advancement related to the STIP and AIP. She shared her concern regarding deferred maintenance for airports and aviation facilities in rural Alaska. She mentioned pavement violations and did not think \$27 million was enough funding.

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Commissioner Luiken replied that many of the pavement projects were not considered deferred maintenance and qualified for federal funding. The department recently developed a five-year airport pavement project plan paid with federal dollars. He related that the deferred maintenance funds were used for prevention.

Vice-chair Fairclough requested clarification about what projects are categorized as deferred maintenance.

Commissioner Luiken agreed that there was some confusion defining deferred maintenance needs.

Representative Gara asked about the highway to highway project connecting the Glen Highway to the Seward Highway in Anchorage and asked for a status update. Commissioner Luiken answered that the department was working on an Environmental Impact Statement (EIS) for the project.

Commissioner Luiken moved on to discuss highways and aviation (Slide 11). He reported that the department improved 38 percent of the bridge deck surface on state owned bridges, 50 percent of non-state owned bridges and 29 more bridge rehab projects were scheduled on the STIP over the next two years. He cited the Mertarvick Project photo on slide 11. He announced that the work to relocate the village will begin this summer. He listed the airlines that were adding passenger flights to Anchorage. In addition, the department held a successful international airport cargo summit last August.

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Commissioner Luiken reported that 75 percent of federal airport funding goes to rural airports. He moved on to address the marine highways (Slide 12). The AMHS had opened the dock in Hoonah, added service to Gustavus and the Aleutian Chain and, completed the successful Ward Cove land transfer to allow shipyard expansion in Ketchikan. The AMHS had installed an automated fuel management system on four vessels; experienced significant savings on fuel usage and planned to install the system on three additional vessels. He noted that the AMHS route map on slide 12 depicted the 3,500 miles it services.

REPRESENTATIVE ALAN AUSTERMAN referred to the Tustumena ferry route. He explained that Seward was eliminated from its Kodiak-Seward-Homer route in order to provide more efficient and economical service. He questioned why the AMHS does not provide Lynn Canal day service to Haines and Skagway from the end of the road in Juneau in order to cut costs, time, and free up larger ferries for longer routes. He believed that the AMHS should be operated using a more economical "point-to-point" model.

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Commissioner Luiken responded that the state had made a commitment to communities to provide ferry service, which necessitated a state subsidy. The department will seek efficiencies to shrink the subsidy as much as possible, and consider all options.

Commissioner Luiken reported that the AMHS was opening up new runs, such as non-stop service between Bellingham and Whittier. He anticipated increased revenue from the service.

Commissioner Luiken pointed attention to "Challenges" (Slide 13):

- Needs exceed resources
- Federal funding/process
- Recruitment/retention
- AMHS
- Natural Disasters

Commissioner Luiken pointed out that a project can take ten or more years to complete using federal funds because of the federal process; the process could be cut in half when using state general funds only. The department expected a thirty percent turnover in personnel due to retirements. Personnel retention was a top priority.

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Representative Doogan requested information regarding new vessels for the ferry system. Commissioner Luiken replied that the governor supported building a new vessel. He committed \$60 million and "de-federalized" the program in order to control the procurement process for the vessel. In addition, the Alaska Ship and Dry-dock expansion will allow the shipyard to compete for the contract to build the new vessel. Representative Doogan acknowledged the appropriation and would believe the governor's commitment when enough money was in the budget to build a new vessel.

Representative Austerman asked whether there was a plan to build a new vessel now or if the governor was waiting for completion of the shipyard expansion. Commissioner Luiken identified plans to build an "Alaska Class Ferry". The department was involved in completion of a functional design of the vessel.

[3:37:47 PM](#)

CAPTAIN JOHN FALVEY, JR., MANAGER, ALASKA MARINE HIGHWAY SYSTEM, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, confirmed that the preliminary design of the Alaska Class ferry was complete. The department was moving ahead with the detailed or functional design which was 10 percent completed. Representative Austerman wondered when the department would finish the design work and discover the total construction costs. Captain Falvey estimated that will take one year.

[3:40:25 PM](#)

Commissioner Luiken directed attention to Slide 14, the department's webpage at 511.Alaska.gov.

Current Information on Alaska's Roadways

- Weather Cameras
- Weather Watches
- Road Construction
- Future Construction
- Incidents
- Driving Conditions
- Available by Phone or on the web

Project Information Reporting Improvements on web

He described how to use the site to look at projects. He emphasized the desire to make work progress accessible to the public.

Commissioner Luiken addressed Slide 15; two pie charts depicting the FY 2012 DOT/PF Operating Budget with \$585,455.0 total funds and FY 2012 DOT/PF Capital Budget with \$871.418.9 total funds.

Commissioner Luiken briefly detailed the operating budget:

- General Funds: \$328,527.0, 56 percent
- Other Funds: \$252,970.2, 43 percent
 - o Highway Capital funds primarily International airport system funds, Whittier Tunnel receipts, Interagency Receipts includes \$140,000,000 in Capital Improvement Receipts from Capital

Improvement Projects (CIP) from indirect overhead or direct project activities (represents 24% of the departments overall budget).

Commissioner Luiken remarked that the FY 2012 budget reflected only a 1 percent increase over the FY 2011 budget.

Commissioner Luiken briefly detailed the capital budget:

- Federal Authorizations in the AIP: \$317,000,000
- Surface Transportation Programs: \$273,000,000
- Other statewide federal programs: \$72,400,000
- Other Funds: \$90,700,000
 - o Aidea dividend funds: \$14, 000,000
 - Roads to resources projects, Ward Cove Development, Highway capital working funds: \$18,400,000
 - International Airport receipts: \$17,200,000
 - International Airport Construction Bond: \$41,000,000
- General Funds are comprised of matching funds, deferred maintenance and the AMHS funds.

[3:44:29 PM](#)

Representative Austerman asked if the one percent increase in the department's budget was sufficient. Commissioner Luiken believed that it was sufficient. Representative Austerman noted problems keeping the Bethel airport open because of a lack of manpower and asked whether the FY 2012 budget contained a solution. Commissioner Luiken replied that the airport was open sixteen hours per day and was able to maintain that with current funding. He recognized that the volume of traffic justified increased need. Representative Austerman wondered if five employees were sufficient to keep the Kodiak airport open sixteen hours a day, every day of the year. Commissioner Luiken reported that the department submitted a supplemental request for additional manpower to operate the airport.

[3:47:17 PM](#)

Representative Austerman emphasized that the department should ask for what was needed up front instead of depending on supplemental budget requests. He questioned whether a one percent budget increase was enough.

Vice-chair Fairclough questioned the similar wage range for all deputy commissioners of the various divisions within DOT/PF. She felt that the compensation paid should be commensurate with workload responsibilities.

Representative Edgmon agreed to explore the matter in subcommittee.

#

ADJOURNMENT

The meeting was adjourned at 3:50 PM.