

**ALASKA STATE LEGISLATURE
FREE CONFERENCE COMMITTEE ON HB 23**

April 25, 2014
8:03 a.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze
Representative Harriet Drummond

Senator Lesil McGuire, Co-Chair
Senator Peter Micciche
Senator Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. HB 23(RLS)

"An Act creating the Knik Crossing Development Corporation as a subsidiary corporation of the Alaska Housing Finance Corporation and relating to bonds of the Knik Crossing Development Corporation."

- MOVED FCCS HB 23 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 23

SHORT TITLE: KNIK ARM CROSSING; AHFC

SPONSOR(s): REPRESENTATIVE(s) NEUMAN, HUGHES

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	TRA, FIN
02/28/13	(H)	TRA AT 2:00 PM BARNES 124
02/28/13	(H)	Heard & Held
02/28/13	(H)	MINUTE(TRA)
03/12/13	(H)	TRA AT 1:00 PM BARNES 124
03/12/13	(H)	Heard & Held
03/12/13	(H)	MINUTE(TRA)
03/21/13	(H)	TRA AT 1:00 PM BARNES 124
03/21/13	(H)	Moved Out of Committee
03/21/13	(H)	MINUTE(TRA)
03/22/13	(H)	TRA RPT 5DP 2AM

03/22/13	(H)	DP: LYNN, JOHNSON, GATTIS, ISAACSON, P.WILSON
03/22/13	(H)	AM: FEIGE, KREISS-TOMKINS
03/28/13	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/28/13	(H)	Heard & Held
03/28/13	(H)	MINUTE(FIN)
04/02/13	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
04/02/13	(H)	Moved CSHB 23(FIN) Out of Committee
04/02/13	(H)	MINUTE(FIN)
04/03/13	(H)	FIN RPT CS(FIN) 3DP 1NR 6AM
04/03/13	(H)	DP: NEUMAN, T.WILSON, STOLTZE
04/03/13	(H)	NR: THOMPSON
04/03/13	(H)	AM: KAWASAKI, HOLMES, MUNOZ, EDGMON, GARA, COSTELLO
04/08/13	(H)	RETURNED TO RLS COMMITTEE
04/09/13	(H)	RLS TO CALENDAR PENDING REPORT
04/09/13	(H)	IN RULES
04/09/13	(H)	RLS AT 9:30 AM CAPITOL 120
04/09/13	(H)	Heard & Held
04/09/13	(H)	MINUTE(RLS)
04/10/13	(H)	RLS TO CALENDAR PENDING REPORT
04/10/13	(H)	IN RULES
04/10/13	(H)	RLS AT 9:00 AM CAPITOL 120
04/10/13	(H)	-- Continued at 3:05 p.m. Today from 4/9 Mtg. --
04/11/13	(H)	RLS RPT 2D CS(RLS) NT 2DP 5NR
04/11/13	(H)	DP: KELLER, JOHNSON
04/11/13	(H)	NR: CHENAULT, HERRON, HAWKER, OLSON, GRUENBERG
04/11/13	(H)	MOTION TO ADOPT CS(FIN) WITHDRAWN UC
04/11/13	(H)	TRANSMITTED TO (S)
04/11/13	(H)	VERSION: 2D CSHB 23(RLS)
04/11/13	(H)	RLS AT 9:00 AM BARNES 124
04/11/13	(H)	Moved 2d CSHB 23(RLS) Out of Committee
04/11/13	(H)	MINUTE(RLS)
04/12/13	(S)	READ THE FIRST TIME - REFERRALS
04/12/13	(S)	FIN
04/12/13	(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/12/13	(S)	<Pending Referral>
04/12/13	(S)	FIN AT 1:30 PM SENATE FINANCE 532
04/12/13	(S)	Heard & Held
04/12/13	(S)	MINUTE(FIN)
02/25/14	(S)	FIN AT 9:00 AM SENATE FINANCE 532
02/25/14	(S)	<Bill Hearing Postponed>
03/18/14	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/18/14	(S)	Heard & Held
03/18/14	(S)	MINUTE(FIN)

03/19/14	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/19/14	(S)	Heard & Held
03/19/14	(S)	MINUTE(FIN)
03/25/14	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/25/14	(S)	Heard & Held
03/25/14	(S)	MINUTE(FIN)
04/02/14	(S)	FIN AT 9:00 AM SENATE FINANCE 532
04/02/14	(S)	-- MEETING CANCELED --
04/02/14	(S)	FIN AT 1:30 PM SENATE FINANCE 532
04/02/14	(S)	Moved SCS 2d CSHB 23(FIN) Out of Committee
04/02/14	(S)	MINUTE(FIN)
04/04/14	(S)	FIN RPT SCS 4DP 1DNP 1NR NEW TITLE
04/04/14	(S)	DP: KELLY, MEYER, DUNLEAVY, FAIRCLOUGH
04/04/14	(S)	DNP: OLSON
04/04/14	(S)	NR: HOFFMAN
04/14/14	(S)	VERSION: SCS 2D CSHB 23(FIN) AM S
04/23/14	(H)	CONSIDER CONCUR MESSAGE
04/23/14	(H)	FREE CONFERENCE COMMITTEE APPOINTED
04/23/14	(H)	AUSTERMAN (CHAIR), STOLTZE, DRUMMOND
04/24/14	(S)	RECEDE MESSAGE READ
04/24/14	(S)	UNIFORM RULE 42(A) & (B) WAIVED
04/24/14	(S)	FREE CONFERENCE COMMITTEE APPOINTED
04/24/14	(S)	MCGUIRE (CHAIR), MICCICHE, GARDNER
04/25/14	(H)	HB23 AT 8:00 AM HOUSE FINANCE 519

WITNESS REGISTER

PETE ECKLUND, Staff
 Representative Alan Austerman
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Austerman, Co-Chair, Free Conference Committee (FCC) on HB 23, explained the proposed Free Conference Committee Substitute (FCCS) for HB 23.

HILARY MARTIN, Attorney
 Legislative Legal Counsel
 Legislative Legal Services
 Legislative Affairs Agency
 Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of the Free Conference Committee Substitute (FCCS) for HB 23.

PAT KEMP, Commissioner
 Department of Transportation & Public Facilities (DOT&PF)
 Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of the Free Conference Committee Substitute (FCCS) for HB 23.

ANGELA RODELL, Commissioner
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the discussion of the Free Conference Committee Substitute (FCCS) for HB 23.

ACTION NARRATIVE

[8:03:08 AM](#)

CO-CHAIR ALAN AUSTERMAN called the Free Conference Committee meeting on HB 23 to order at 8:03 a.m. Representatives Austerman and Stoltze and Senators McGuire and Micciche were present at the call to order. Representative Drummond and Senator Gardner arrived as the meeting was in progress.

HB 23-KNIK ARM CROSSING; AHFC

[8:03:25 AM](#)

CO-CHAIR AUSTERMAN announced the only item on the calendar would be the Free Conference Committee on HB 23. He explained the goal of the Free Conference Committee on is to reach consensus agreement on the Free Conference Committee substitute (FCCS) for HB 23 and recommend it to both bodies for approval. Pursuant to Uniform Rule 42, the Free Conference Committee was appointed by the House on April 23, 2014 and the Senate on April 24, 2014. A Free Conference Committee may suggest any amendments that are clearly germane to the original bill. Adoption of the conference committee report requires an affirmative vote by a majority of members from each house.

[8:04:11 AM](#)

CO-CHAIR MCGUIRE moved that the Free Conference Committee on HB 23 adopt the proposed Free Conference Committee Substitute (FCCS) for HB 23, labeled 28-LS0141\H, Martin, 4/24/14.

CO-CHAIR AUSTERMAN objected for discussion purposes.

[8:04:57 AM](#)

PETE ECKLUND, Staff, Representative Alan Austerman, Alaska State Legislature, provided an overview of the proposed Free

Conference Substitute (FCCS) for HB 23 on behalf of Representative Austerman, Co-Chair, Free Conference Committee on HB 23. He explained that members have the Free Conference Committee Substitute (FCCS) for HB 23 and an accompanying sectional analysis [included in members' packets]. He provided a broad overview of the FCCS HB 23, stating that the bill strips many of the powers and duties from the Knik Arm Bridge and Toll Authority (KABATA). It removes KABATA's ability to bond and exercise the power of eminent domain, but allows KABATA to be a toll authority and collector once the project is constructed. He said that this leaves KABATA some ability to operate and maintain the bridge structure after completion; however, KABATA's powers and duties have very much been curtailed. Additionally, the FCCS HB 23 also instructs the Department of Transportation & Public Facilities (DOT&PF) to seek a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan.

[8:06:40 AM](#)

MR. ECKLUND provided a section-by-section analysis of the HCCS HB 23. He said Section 1 authorizes the Department of Transportation & Public Facilities (DOT&PF) to incur indebtedness to the Federal Highway Administration, U.S. Department of Transportation for a TIFIA loan.

[8:06:56 AM](#)

MR. ECKLUND related that Section 2 amends the purpose of the Knik Arm Bridge and Toll Authority (KABATA). Section 3 provides that KABATA may not be terminated if it has obligations outstanding, including an obligation to the state under AS 37.15.225. Section 4 would apply the Executive Budget Act to the operating budget of KABATA. Section 5 would amend the powers of KABATA and removes the authority to incur indebtedness, issue bonds, apply for permits, perform engineering and design studies, and exercise the power of eminent domain. Section 6 would remove language authorizing KABATA to plan, design, construct, and operate the Knik Arm Bridge and appurtenant facilities. It also would remove language giving KABATA the exclusive authority to determine and fix fees, rents, tolls, rates, and other charges. Section 7 would remove language related to bonds from AS 19.75.261. Section 8 would remove "acquisition, design, construction" from AS 18.75.291.

[8:08:11 AM](#)

MR. ECKLUND related that Section 9 requires the department to transfer control of the Knik Arm Bridge and appurtenant facilities to KABATA after construction of the bridge. It also would authorize KABATA to operate the bridge and appurtenant facilities but retains ownership of the bridge, appurtenant facilities, and real property; and the power to reconstruct, equip, extend, maintain, or improve the bridge and appurtenant facilities with the DOT&PF. He stated that Section 10 makes conforming changes to AS 19.75.915 and Section 11 would permit the department to set fees, rents, tolls, or other charges for the use of the Knik Arm Bridge and appurtenant facilities in excess of operating costs.

[8:08:56 AM](#)

MR. ECKLUND stated that Section 12 authorizes the state to issue revenue bonds to build the Knik Arm Bridge and appurtenant facilities. More specifically, Section 37.15.255 would authorize the state to issue toll revenue bonds. It also would require the proceeds of the sale of the bonds to be deposited in the Knik Arm construction fund and requires notice to the legislature before issuance of bonds. He indicated this provision prevents the state from issuing bonds until the Federal Highway Administration (FHWA), U.S. Department of Transportation (US-DOT) has approved a loan to the state of at least 30 percent of the total project cost under TIFIA. Section 37.15.230 would establish the Knik Arm construction fund to be used for the construction of the Knik Arm Bridge and appurtenant facilities. He stated that Section 37.15.235 limits the toll bridge revenue bonds to \$300 million. Section 37.15.240 would create the toll bridge revenue fund. The reserve fund may only be used to pay the bonds, redeem the bonds, and pay indebtedness under TIFIA. Section 37.15.245 would create the toll bridge revenue bond redemption fund to pay the principal and interest and redemption premium on the bonds.

[8:10:23 AM](#)

MR. ECKLUND stated that Section 37.15.250 allows the state bond committee to set the amounts or series, price, terms, conditions, and maturity date on the bonds. Section 37.15.255 would require the state bond committee to authorize the issuance of bonds by adopting a resolution. Section 37.15.260 would create the bond reserve fund to pay interest on and principal of the toll bridge revenue bonds. The money may not be withdrawn if it would reduce the amount in the reserve fund to an amount

less than the required debt service. It would also require the commissioner of the department of revenue (DOR) to certify to the governor and the legislature the amount necessary to restore the fund to an amount equal to the required debt service reserve.

[8:11:18 AM](#)

MR. ECKLUND said Section 37.15.265 allows the trustee for the holders of the bonds to bring appropriate proceedings in the superior court. Section 37.15.270 would require the state bond committee to certify to the commissioners of revenue and administration the amounts required in the current and next fiscal year to be paid out of toll revenue into a reserve fund or other fund. He related that Section 37.15.275 allows the state bond committee to refund the bonds or any part of the bonds before their maturity or redemption date and AS 37.15.280 declares the bonds to be legal investments. He related that Section 37.15.285 states that AS 37.15.225-37.15.290 shall be construed liberally in order to carry out the purposes for which they were enacted. Proposed AS 37.15.290 defines the terms for AS 37.15.225-37.15.290. He indicated that Section 13 repeals various KABATA statutes mostly related to bonding and Section 14 requires KABATA to transfer all rights, titles, and interests to the DOT&PF and Section 15 adds an effective date of July 1, 2014.

MR. ECKLUND highlighted one issue that was not addressed in the section-by-section analysis. He explained that the "Buy America" section was removed. After conferring with the DOT&PF, it was determined that most of the "Buy America" sections are covered under federal highway laws, which were intended to cover the broad aspects of purchasing steel. The language inserted into HB 23 by the other body went further than that and some problems arose that could result in increased costs to the project so that section was removed.

[8:13:40 AM](#)

SENATOR MCGUIRE confirmed that the fundamental financing structure remains the same even though it has been transferred to DOT&PF. She referred to the funding as a "three-legged stool" such that the requirement to apply for the TIFIA loans and the project is contingent upon the issuance of the TIFIA loan, and the project won't move forward to issue state bonds without the aforementioned approval.

MR. ECKLUND answered yes; that is correct. The TIFIA loan must be secured before the revenue bonds can be issued and the TIFIA loan must be a minimum of 30 percent of the total Knik Arm Bridge project cost.

[8:14:32 AM](#)

SENATOR MICCICHE asked whether the National Environmental Policy Act of 1969, Department of Natural Resources (DNR) and Department of Environmental Conservation (DEC) permitting that has already been accomplished will be fully transferable to the DOT&PF.

MR. ECKLUND answered that he spoke to the commissioners of DOT&PF, DEC and it was their belief that those permits - whether midstream or complete - were transferable.

SENATOR MICCICHE asked whether any right-of-way already purchased will also transfer with the authority if this conference bill passes.

MR. ECKLUND referred to page 16 to the transition section of the FCCS HB 23, which instructs KABATA to transfer all of the items listed in proposed Section 14 to the DOT&PF.

[8:15:49 AM](#)

SENATOR GARDNER referred to page 4, line 10 of proposed [paragraph] (10) and asked whether this means KABATA retains the power to issue bonds.

MR. ECKLUND answered he did not believe so. He explained that there are many repealers in the proposed FCCS, such that the proposed Free Conference Committee Substitute repealed all the sections related to KABATA's ability to bond. He deferred to the DOR and the legislative legal counsel to answer.

[8:16:50 AM](#)

REPRESENTATIVE AUSTERMAN expressed his appreciation for the legislative legal counsel's efforts on the FCCS.

[8:17:18 AM](#)

HILARY MARTIN, Attorney, Legislative Legal Counsel, Legislative Legal Services, Legislative Affairs Agency, explained that [Section 5] provides KABATA the ability to pledge tolls to pay

off bonds of the state. Thus, it doesn't refer to KABATA's bonds, but to any revenue bonds the state may issue. In response to Senator Gardner, she indicated that the power of eminent domain is language that is repealed.

CO-CHAIR MCGUIRE further clarified that the language pertaining to eminent domain was repealed.

8:18:25 AM

REPRESENTATIVE DRUMMOND asked what remains for KABATA to do if all the operating features are removed.

MR. ECKLUND related his understanding that KABATA would collect tolls, which could be transmitted to the state. He said that KABATA can also operate and manage Knik Bridge once it is constructed, and KABATA could own or lease property for offices or toll facilities. He summarized that KABATA's authority has been pared back significantly.

MS. MARTIN related that Mr. Ecklund appropriately covered it.

8:19:30 AM

REPRESENTATIVE DRUMMOND, assuming it would take time to build the Knik Arm Bridge, asked what KABATA would do during the interim period since it is limited to operate and collect tolls once the bridge is completed.

MR. ECKLUND answered that [under the FCCS for HB 23] KABATA is subject to the Executive Budget Act so the legislature can decide on KABATA's budget and its mission.

8:20:00 AM

CO-CHAIR AUSTERMAN indicated that obviously this proposal represents quite a transition and change and the deliberations included considering activities during the transition period. He said it's important to not "cut KABATA off" today since lots of interactions will be needed during the next year to make this project happen. He acknowledged that at any point in the future, the legislature can make a determination on KABATA's role; however, having KABATA involved during the transition is important.

CO-CHAIR MCGUIRE reinforced that the transition is important due to the rights-of-way activities, pending permits, and the

overall knowledge base. She acknowledged some disagreement exists between the bodies on KABATA's team; however, she offered her appreciation for KABATA's good work to date, noting many are volunteers. She also noted collecting tolls should be a function of KABATA, but not the state or the DOT&PF, so it is important for KABATA to gain the knowledge necessary to conduct its toll function even though KABATA's role is significantly pared down.

[8:21:45 AM](#)

REPRESENTATIVE DRUMMOND related her understanding that there will also be significant costs "post-bridge" for all the connecting roads and the transition to reroute traffic to Gambell and Ingra Streets instead of the traffic being routed to "A" and "C" streets in downtown Anchorage. She asked for clarification on how that will be handled and funded.

MR. ECKLUND answered that those issues are not addressed in the bill.

REPRESENTATIVE DRUMMOND remarked that [the funding for "post-bridge" infrastructure] seems to be a significant omission.

[8:22:26 AM](#)

SENATOR MICCICHE noted Alaskans have a tendency to reinvent systems. He asked whether any comparison model exists from other states that operate toll infrastructure for business or construction.

MR. ECKLUND answered that he did not have any examples; however, the DOT&PF commissioner may have examples.

REPRESENTATIVE STOLTZE commented that the best qualified individuals to answer this were cut out of today's process.

[8:23:52 AM](#)

SENATOR MICCICHE recalled using passes while traveling on toll roads via car rentals. He asked whether this business will be similar to how it is done by places that have had toll bridges for 80 years.

PAT KEMP, Commissioner, Department of Transportation & Public Facilities (DOT&PF), answered yes; that a number of ways exist to fund megaprojects and tolls are an active part of that

process. He acknowledged that similar projects are done nationwide using design-build concept; however, there is generally a lot more traffic to generate the tolls. He emphasized that this process is not new. He offered his belief that the design-build process should be fine.

[8:25:02 AM](#)

SENATOR MICCICHE related one advantage to being new to the KABATA project is that he doesn't have any emotions tied to the [evolving] KABATA project. He wondered if the previous arrangement for the project was less typical than projects in the Lower 48 or elsewhere.

COMMISSIONER KEMP said, "I believe it's a mixed bag nationwide. Projects are funded and constructed in many different ways." He said that the [public, private, partnership] "P3" model introduced earlier this session is frequently used across the nation; however, in Alaska, Commissioner Rodell found a better way to fund the project to save funds. He suggested that either KABATA or the department could follow through with the current model.

[8:26:20 AM](#)

CO-CHAIR MCGUIRE asked whether the commissioner is comfortable executing the requirements included in FCCS HB 23 and all the provisions that are being transferred to the DOT&PF.

COMMISSIONER KEMP answered yes.

[8:26:52 AM](#)

CO-CHAIR MCGUIRE asked for insights on how well the department works with KABATA and how comfortable the relationship between KABATA and the DOT&PF is in terms of the transition, including rights-of-way, permitting, and other tasks.

COMMISSIONER KEMP characterized the department's relationship as good, noting it continues to improve. He acknowledged he has not had an opportunity to talk to the chair or anyone at KABATA in the past couple of days, but he offered his belief the transition will be smooth.

CO-CHAIR MCGUIRE recalled an innovative funding structure. She asked for clarification on the "P3" model.

[8:27:55 AM](#)

ANGELA RODELL, Commissioner, Department of Revenue (DOR), expressed concern about the "P3" model since the state was taking 100 percent of the financing risk; however, she said the department determined a less expensive way to finance the project. The department worked over the interim with DOT&PF to develop an alternative plan that is contained in the bill before members today. She said the "P3" model became expensive due to a number of changes in the market. Additionally, since this project is considered a "Greenfield project," without any history, so the financing became more expensive.

[8:29:17 AM](#)

REPRESENTATIVE STOLTZE, with respect to the transition for the commissioners, asked for confirmation that both commissioners are voting members of the KABATA board and how that may help during the transition process.

COMMISSIONER KEMP answered yes; that he and Commissioner Rodell have served on the five-member KABATA board.

REPRESENTATIVE STOLTZE pointed out that this is not a new project for the DOT&PF or the DOR.

COMMISSIONER KEMP agreed. He said that he has been on the periphery of the project, but he believes the DOT&PF will work well with the board.

REPRESENTATIVE STOLTZE clarified that Commissioner Kemp is a member of the KABATA board of directors.

COMMISSIONER KEMP answered yes.

[8:30:35 AM](#)

SENATOR GARDNER asked whether KABATA can receive funds but not be indebted directly under the current arrangement.

COMMISSIONER RODELL related her understanding the state will be able to transfer funds to KABATA for very specific activities that have been authorized. For example, KABATA could receive funds to purchase the software to run the tolling operation. She pointed out that will come through the DOT&PF or the DOR to conduct specific tasks.

[8:31:57 AM](#)

SENATOR GARDNER referred to the capital budget, which currently contains \$55 million for KABATA. She asked whether that funding will be line-item vetoed.

CO-CHAIR AUSTERMAN anticipated an amendment to change the language from KABATA to the Knik Arm Bridge.

[8:32:28 AM](#)

SENATOR GARDNER, in reference to the socio-economic data in the Legislative Budget & Audit on KABATA, recalled the raw data has been provided but it has not yet been put into the traffic model. She asked who will be responsible to put the data into usable form and when will it be available to the legislature.

COMMISSIONER KEMP answered that he has not seen the socio-economic information. He noted that there will be a new process with the receipt of federal aid, since one-third of the project is anticipated to be funded via federal funds. He recalled that will go through the large project office in Washington, who will conduct a thorough review of the financing plan, the construction estimate and other estimates will be vetted by the FHWA. In fact, any project over \$500 million undergoes this type of scrutiny, he said.

[8:33:54 AM](#)

SENATOR GARDNER expressed an interest in the [legislative budget and audit] LB&A report that indicated KABATA's toll traffic numbers were overestimated and need to be redone. She recalled that is why the upwards of \$100 million investment is anticipated in Phase 1 of the project. She offered her belief that it is important to have a realistic estimate of the traffic patterns now and into the future, the estimated tolls, and any debt the tolls can support.

CO-CHAIR AUSTERMAN explained that today's discussion revolves around the changes in FCCS HB 23. He said he also understands the issues and desire for justification; however, these issues are not in this proposed Free Conference Committee Substitute or the discussion being held today. He asked members to try to stick to the proposed Free Conference Committee Substitute.

[8:35:30 AM](#)

SENATOR GARDNER asked to put on the record that the information is forthcoming. She understood the time constraints, but would like to know who will be providing this information in the future.

CO-CHAIR MCGUIRE referred to page 16, to proposed Section 14, noting the transition language includes a transfer of all studies and intellectual property. She agreed that this was a subject of earlier conversation, but the report is due back in July and the language is specifically in the FCCS HB 23.

[8:36:20 AM](#)

SENATOR MICCICHE asked how this megaproject will affect the current statewide transportation improvement program (STIP) schedule. He remarked he has received questions from constituents concerned about how the Knik Arm Bridge project will affect the current project schedule.

COMMISSIONER KEMP referred to the STIP and impacts to the 10-year snapshot of projects. He reminded members he has previously testified that the new FHWA funding program, MAP 21, has shifted funding from local roads to urban roads and the National Highway System (NHS), such as the Seward Highway, Parks Highway, and Egan Drive. He said that this change has dovetailed well and the DOT&PF can accommodate this project in the NHS side of the STIP. He acknowledged that a problem exists in backfilling the surface transportation system (STP) side. He characterized the progress thus far as being "pretty good" so "all in all" he did not believe there would be any impacts.

[8:38:13 AM](#)

SENATOR MICCICHE asked for clarification whether the \$18 million in authority KABATA has would be transferred to DOT&PF.

MR. ECKLUND did not think this is in the bill. Further, he suggested there could be an amendment to the capital budget if an appropriation is necessary; otherwise he deferred to the commissioner.

[8:39:01 AM](#)

COMMISSIONER RODELL answered that she was not sure she has a good answer. She understood that the KABATA board has approved its operating budget for next year. She related her

understanding that this funding has been encumbered. She offered to look into the issue.

REPRESENTATIVE STOLTZE reported that KABATA falls under the Executive Budget Act so the executive branch has authority to work with the DOT&PF on the transfers. Additionally, the administration has the flexibility and authority over the spending process. He emphasized that it is very significant that KABATA was put under the Executive Budget Act.

[8:40:14 AM](#)

REPRESENTATIVE DRUMMOND expressed concern the Commissioner Kemp said, "We'll have to backfill the STIP." She said there is significant additional cost to the Knik Arm Bridge. She expressed concern that statewide transportation needs will be set aside in the interests of building the Knik Arm Bridge. She said, "We don't build a bridge in isolation. We have connecting roads. We have roads to Big Lake. We have the Ingra-Gambell connection that has to be made at the request of the Municipality of Anchorage. I'm curious if the commissioner is aware of just how much is not addressed by this project that looks like it will be bumping projects from the STIP."

COMMISSIONER KEMP answered that the department is aware of the additional costs on both sides of the bridge. This has been discussed internally through the liaison with KABATA. He indicated the DOT&PF will need to accommodate the projects in the regular STIP process, with general fund appropriations, or by other means. He acknowledged that transitions will occur and anticipated the department will need to deal with them.

[8:41:40 AM](#)

REPRESENTATIVE DRUMMOND understood tolls would take care of all the additional roads required.

COMMISSIONER KEMP said he was unsure. He understood that at one point capacity will require four lanes, but he was unsure how that dovetails with the additional needs shore side. He said he has heard the explanation, but cannot recall the details today.

[8:42:13 AM](#)

SENATOR GARDNER recalled that eminent domain could not be used any further in the Senate version of the bill, but she was unsure if the provision is included in the FCCS HB 23.

MS. MARTIN explained that the language was removed since KABATA will transfer all its property to DOT&PF so there isn't any reason to stop them from transferring the property. She said it would be a conflict in the bill to tell them not to transfer the property and then tell them to transfer the property.

[8:43:05 AM](#)

SENATOR GARDNER asked whether any "stop/go" issues exist or if this is a "green" light all the way.

COMMISSIONER KEMP responded that authorities to proceed (ATP) are part of the FHWA process. The state can't proceed to construction until all the right-of-way is completed and the environmental permits and U.S. Corps of Engineering permits are obtained. He reported that checklists for the FHWA exist, which the project has been under from the beginning with the funding of the environmental document.

REPRESENTATIVE AUSTERMAN removed his objection.

[8:44:24 AM](#)

CO-CHAIR MCGUIRE moved to report the FCCS for HB 23, labeled 28-LS0141\H, Martin, 4/24/14 out of the Free Conference Committee, with two fiscal notes: one forthcoming conference committee fiscal note and the [SCS 2nd CSHB 23(FIN)] fiscal note #7 [prepared by the DOT&PF dated 4/14/14].

[8:45:04 AM](#)

SENATOR GARDNER objected. She offered her belief that the FCCS is a tremendous improvement. She congratulated Commissioner Rodell since [this bill] will serve the state much better. However, like Representative Drummond, she maintained she is very concerned about the costs, the impacts on the rest of the state, and the costs not included in the proposal. She said she planned to oppose the bill on the floor but did not wish to hold it up in committee.

CO-CHAIR MCGUIRE thanked the co-chair, and members of the free conference committee. She acknowledged that it is difficult to have something significant arise at the end of the legislative session. She offered her belief that significant project improvements are included and the chances of success for the project have greatly improved.

REPRESENTATIVE STOLTZE thanked the bill sponsor, Representative Neuman, the sponsor of HB 23. He also thanked Senator Huggins and Co-Chair McGuire. He said that without their work the committee would not likely be moving forward with this compromise. He said, "We like to build bridges and there's often more than one way to do it. Thank you."

CO-CHAIR AUSTERMAN offered his belief that this project wouldn't be moving forward without everyone's efforts. He recognized the long hours by Ms. Martin, legislative legal counsel, and his staff, Pete Ecklund, have put in on this bill.

[8:47:23 AM](#)

ADJOURNMENT

There being no further business before the committee, the Free Conference Committee meeting on HB 23 was adjourned at 8:47 a.m.