

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

February 11, 2014

1:03 p.m.

MEMBERS PRESENT

HOUSE TRANSPORTATION

Representative Peggy Wilson, Chair
Representative Doug Isaacson, Vice Chair
Representative Eric Feige
Representative Lynn Gattis
Representative Bob Lynn
Representative Jonathan Kreiss-Tomkins

SENATE TRANSPORTATION

Senator Dennis Egan, Chair
Senator Fred Dyson
Senator Anna Fairclough
Senator Click Bishop

MEMBERS ABSENT

HOUSE TRANSPORTATION

Representative Craig Johnson

SENATE TRANSPORTATION

Senator Hollis French

COMMITTEE CALENDAR

Presentation by the Department of Transportation & Public Facilities FAA/Airport Funding Policy Impacts by John Binder, Deputy Commissioner

- HEARD

Presentation by Department of Transportation & Public Facilities: MAP-21 Funding Policy Impacts & STIP Procedures by Jeff Ottesen, Program Development Director

- HEARD

PREVIOUS COMMITTEE ACTION

No action to record

WITNESS REGISTER

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

POSITION STATEMENT: Testified during the Department of Transportation & Public Facilities presentation.

JOHN BINDER, Deputy Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Anchorage, Alaska

POSITION STATEMENT: Presented the Airport Improvement Program (AIP) and the Airport Project Evaluation Board (APEB) overview.

ROGER MAGGARD, Rural System Airport Development Manager
Statewide Aviation
Department of Transportation & Public Facilities (DOT&PF)
Anchorage, Alaska.

POSITION STATEMENT: Answered questions during the DOT&PF's Airport Improvement Program and the Airport Project Evaluation Board overview.

JEFF OTTESEN, Director
Program Development
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Testified during the Department of Transportation & Public Facilities discussion of Airport Improvement Program and the Airport Project Evaluation Board.

ACTION NARRATIVE

[1:03:26 PM](#)

CHAIR PEGGY WILSON called the joint meeting of the House and Senate Transportation Standing Committees to order at 1:03 p.m. Representatives Gattis, P. Wilson and Senators Dyson, Fairclough, Bishop and Egan were present at the call to order. Representatives Feige, Kreiss-Tomkins, Isaacson, and Lynn arrived as the meeting was in progress.

[1:04:27 PM](#)

**Presentation by the Department of Transportation & Public
Facilities: FAA/Airport Funding Policy Impacts by John Binder
Deputy Commissioner**

[1:05:11 PM](#)

CHAIR P. WILSON announced that the first order of business would be a Presentation by the Department of Transportation & Public Facilities: FAA/Airport Funding Policy Impacts by John Binder, Deputy Commissioner; Map-21 Funding Policy Impacts & STIP Procedures by Jeff Ottesen, Program Development Director

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PAT KEMP, Commissioner, Department of Transportation & Public Facilities (DOT&PF), introduced himself and indicated Mr. Binder would present the Airport Improvement Program and the Airport Project Evaluation Board Overview.

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JOHN BINDER, Deputy Commissioner, Department of Transportation & Public Facilities (DOT&PF), reviewed the Airport Improvement Program (AIP) [slide 2]. This program provides federal funding to both international airports and the rural airport system. He reported that typically, funding for the AIP receipts average about \$210 million per year; however, last year funding was reduced to \$187.3 million. The federal funding for cargo entitlements at \$14.9 million is based on the amount of cargo being transported. The primary passenger entitlements are earned by airports with more than 10,000 passenger enplanements, including Fairbanks and Anchorage International airports and the 17 primary certificated airports in the rural system. The non-primary passenger entitlements is funding for airports with less than 10,000 passenger threshold. The state apportionment is a formula based on land area and population and Alaska's apportionment tends to be constant at \$21 million per year. The Alaska supplemental budget appropriation averages approximately

\$21 million. Lastly, discretionary funding was \$87.3 million and consists of the remainder of the \$3.2 billion, which is divided between the states based on priority projects.

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MR. BINDER reviewed the comparison in AIP Funding from fiscal year (FY) 11 to FY 13 [slide 3]. The current authorization bill fully funded the AIP. He hoped that this will mean the state will be back up to \$200-210 million funding level.

[1:09:21 PM](#)

MR. BINDER provided a brief overview on the Airport Project Evaluation Board (APEB) process [slide 4]. He stated that the board membership is comprised of himself, as Deputy Commissioner, three regional directors, the Maintenance & Operations Chief, and Jeff Ottesen, Director, Program Development, DOT&PF.

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MR. BINDER stated that the board meets as required and performs a scoring process. Before projects come before the APEB they are first placed on a needs list developed by the respective regions. The directors identify the highest needs list and the planning teams present the project nominations to the board for project scoring. A variety of criteria are used for scoring airport projects, which are broken into pavement, building, or other projects. The APEB uses a separate criterion, although some lesser projects are not scored. The projects undergo a regular review and the planning team develops the spending plan based on anticipated federal and state capital funding and overall priorities. Spending plans are constantly under review as the funding changes or priorities shift, for example, due to natural disasters, the governor's priorities, or legislative priorities. The department tries to keep it as stable as possible.

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CHAIR EGAN referred to Alaska supplemental budget. He asked for clarification on the significance of the 1980 figure.

ROGER MAGGARD, Rural System Airport Development Manager, Statewide Aviation, stated that the 1980 amount was established by federal statute by Senator Stevens. The figure is constant and is defined in the U.S. Code (USC) as a given amount at approximately \$21 million. This federal funding comes directly to the Federal Aviation Administration and is used for all airports in Alaska, except for the AIAS.

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CHAIR EGAN related his understanding that the municipal airports like Juneau and Kenai are not part of the scoring process.

MR. MAGGARD answered yes; that the Juneau and Kenai airports negotiate directly with the FAA and are not part of the DOT&PF's scoring system.

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CHAIR P. WILSON asked whether the state would receive less funding if the amount wasn't in federal statutes.

MR. MAGGARD answered yes; that it is very likely the Alaska portion of the federal funding would be less without the federal statute.

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CHAIR EGAN asked for more detail on project scoring.

MR. BINDER explained that the airport projects consist of 16 criteria, with some items weighted higher than others such as airport safety. Additionally, other highly weighted items include the maintenance and operations (M&O) and certifications to meet FAA. The department includes criteria such as health and quality to the community, economic benefits, community support, funding, any alternative transportation modes, and the surface condition to help determine project priorities.

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CHAIR EGAN pointed out slide uses 16 criteria for airports, but only 8 for buildings.

MR. BINDER explained that some criteria don't necessarily apply. The building criteria, includes items such as the current structure's safety, whether the structure is an existing structure, conditions, weather impacts, and difficulty to acquire land, if necessary.

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CHAIR EGAN asked whether a snow removal equipment facility may not be scored as high as the runway itself.

MR. BINDER suggested that the facility may not be a lesser value, but different criteria would be used to score the facility.

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SENATOR FAIRCLOUGH referred to airports not included in the formula vying for federal dollars and asked whether a threshold makes that happen and the reasons that the current program is limited.

MR. BINDER answered that dollar values are not used to determine whether the airport is included in the priority system. Due to the elements involved in developing the projects, the DOT&PF has only applied the prioritization process to state-owned airports. He explained that typically the municipalities prefer to work directly with the FAA rather than working through the DOT&PF's system.

[1:19:04 PM](#)

**Presentation by the Department of Transportation & Public
Facilities: MAP-21 Funding Policy Impacts & STIP Procedures by
Jeff Ottesen, Program Development Director**

[1:19:09 PM](#)

CHAIR P. WILSON announced that the next order of business would be a presentation by the Department of Transportation & Public Facilities: Map-21 Funding Policy Impacts by Jeff Ottesen, Program Development Director.

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JEFF OTTESEN, Director, Program Development, Department of Transportation & Public Facilities (DOT&PF), stated his division is responsible for the federal highway program and the Statewide Transportation Improvement Program (STIP) process that selects projects. He offered to brief the committee on historical funding, then the specific funding through Moving Ahead for the 21st Century (MAP 21) as well as the policy changes imbedded in the law [slide 2].

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MR. OTTESEN discussed the federal highway program in terms of overall funding [slide 3]. He reported that the funding levels have been relatively stable in the past 10 years, with the exception of the extra \$175 million the state received in stimulus funding. Previously, the federal funding averaged \$475 million. The chart illustrates the earmark funding from 2005, representing about half of the funding stream through 2009, which dwindled down to the point of none being received last year. He offered his belief that earmarks came at the expense of other formula dollars and this chart tends to illustrate that point.

MR. OTTESEN turned to the state capital transportation program, which consists primarily of general fund dollars, with some general obligation (GO) bonds, roads to resources (R2R), named projects, and "others" [slide 4]. The state's R2R funding has varied significantly with FY 14 less than FY 13.

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MR. OTTESEN briefly reviewed the state deferred maintenance program, covering most transportation modes, including money for the Alaska Marine Highway System (AMHS), harbors, airports, highways, and facilities. He reported that the funding has been relatively stable since FY 11.

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MR. OTTESEN turned to the MAP-21 highway reauthorization 2013 [slides 6-7]. He stated that when the MAP-21 bill passed two years ago was a two-year highway and transit bill for the federal years 2013 and 2014. The bill relied on general fund appropriations and other funding transfers to provide enough funding to match the prior bar chart - roughly just under \$500 million per year. In order for Congress to keep spending at its current level, the Congress needed to find additional funding to add to the U.S. Highway Trust Fund. He explained that six or seven years ago the fund was self-sustaining. In fact, 20 years ago the fund was lending money to other programs in the federal budget, he said. However, currently the fund is underachieving in terms of revenue. Additionally, MAP-21 contained significant new policies including ones for streamlining difficult federal processes. The current MAP-21 funding will expire in eight months, which leaves all states with lots of uncertainty going into FY 15.

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MR. OTTESEN discussed a chart that shows a 99.5 percent drop in 2015 funding [slide 8]. He referred to it as the "stepping off the cliff chart" and explained that the slide is based on current information. He reported that in 2015 states could expect funding to drop by nearly 100 percent. Although the program produces revenue every year, the simple explanation for the dramatic drop is that at the time the state obligates funds, it receives a promise from the federal government to reimburse the state as funds are expended. The state bills the federal agency based on its expenditures. The funding has been dropping by about 25 percent in real numbers but 75 percent of the funds is used to pay off bills from prior years. Thus the funding

mechanism does not leave any capacity if the problem going forward is not solved.

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MR. OTTESEN explained the MAP-21 funding changes [slide 9]. In 2012 the highway funding was \$520 million, but was reduced in 2013 and 2014 by 10 percent to \$484 million. He noted that other states were equally affected. He reported that \$12 million of the state's \$43 million in transit funding is directed to the state and the remaining \$31 million goes to AMATS, FMATS, and the Alaska Railroad Corporation (ARRC). Additionally, a new ferry formula was established in MAP-21 and the Alaska Marine Highway System (AMHS) is the next largest recipient, receiving \$17 million. The federal government significantly streamlined funding categories by creating fewer categories with broader eligibility. The National Highway System (NHS) and the Highway Safety Program (HSP) are programs receiving the most funding with almost all the other categories receiving fewer funds.

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MR. OTTESEN turned to slide 10, entitled, "MAP-21 Redefines Federal Interest." He explained that the federal focus of MAP-21 is on the interstate and NHS routes and adds mileage to each state. All principal arterials known as the functional classification became part of the NHS. Therefore, in Alaska only about 4 percent was added to the overall NHS, but these roads tend to be the most expensive ones. The NHS roads typically consist of 4-6 lane highways, primarily located in Anchorage. Additionally, the right-of-way, utilities, and traffic control are very expensive on NHS. He reported that about 90 miles of NHS roads were added to Alaska, with about 80 miles located in Anchorage, a few miles in Fairbanks, the Matanuska-Susitna Borough, and a small amount in Juneau. He reported the percentage of federal funding in Alaska. The NHS received approximately 57 percent of the overall federal program funding, with 26 percent focused on the lower-tier roads, 7 percent on safety, 5 percent on sanctions, and the last 5

percent covering minor categories such as urban planning and bridges.

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MR. OTTESEN discussed pie charts that illustrate the federal funding emphasis on the NHS [slide 11]. The blue pie on the left chart represents the federal-aid funds designated to the NHS and the right hand chart shows the percentage of funding designated for NHS, local, and other roads. He concluded that the smallest number of road miles will receive the largest amount of overall highway funding. He identified the highway roads. The red portion of the pie represents the Surface Transportation Program (STP) funding, which is funding that meets local road needs, as well as the Alaska Highway System (AHS). The AHS roads consist of routes that connect communities, but are ones that "never rose to the level" to become part of the NHS. For example, the AHS roads consist of almost all the highways on the Prince of Wales Island, the Denali Highway, the Steese, and Elliott Highways. Still, these roads compete with the local road funding, he said.

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MR. OTTESEN explained that the STP funds are further subdivided into other slices as designated by the pie chart [slide 12]. He explained that the small blue slice represents funding for bridges on STP eligible roads. The problem with the \$4 million designated for bridges is that it currently costs the state \$8 million to inspect these bridges. Thus, the state will not even receive enough funds to perform the mandated bridge inspections. Therefore, the department must find the rest of the bridge inspection funds elsewhere, such as from funding normally designated for pavement. He reviewed the designations which are by population: those under 5,000; between 5,000 but under 200,000; and over 200,000 - which would be Anchorage. He highlighted the green slice, which represents funding for urban clusters in the language of the bill for the population segment between 5,000 and 200,000 - including Fairbanks, Juneau, Soldotna, Ketchikan, Kodiak, Sitka, Palmer, and Wasilla. The federal bill focused primarily on the urban areas, he said.

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MR. OTTESEN provided a specific example of an urban cluster depicting the "Lakes-Knik-Fairview-Wasilla Urban Cluster," which includes Trunk Road [slide 13]. He highlighted some federal funding changes, noting that a recent project to Trunk Road would not have been eligible for funding under "the middle category;" instead it would fall in the "under 5,000 category" and would compete with all the villages and small communities around the state. It means that the DOT&PF must be mindful of the category for road projects, he said. He remarked that there are seven other clusters throughout the state.

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MR. OTTESEN identified a prior funding category as transportation enhancements, which was funding for beautification, transportation history interpretation, but was primarily used for pathways and bike trails. Under MAP-21, three other categories were added: Safe Routes to Schools, Recreation Trails, and Scenic Byways [slide 14]. However, the overall funding was reduced and complex rules make it difficult to use the funds. For example, neither the state nor the Metropolitan Planning Organizations (MPOs), Anchorage and Fairbanks, are eligible to use the funding directly. This means that the organizations with expertise on federal rules can't participate in a project. He remarked that it is difficult to understand the reasoning behind this MAP-21 change.

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MR. OTTESEN reviewed MAP-21 Eliminations [slide 15]. He reported that MAP-21 eliminated specific "set aside funds for the AMHS," although it added a separate category of federal funding for the ferry system. Additionally, MAP-21 added a separate category for surface transportation programs (STP) to be split between Alaska and Hawaii. While the state received about the same amount of funding, the funds are now designated as "Ferry Boat Discretionary" funds.

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MR. OTTESEN emphasized the cuts to the Shakwak funding, which cut \$30 million in funds to Canada for maintaining roadways that link Southeast Alaska with the main body of the state [slide 16]. Additionally, this funding was periodically used for the rest of the highway system, including ferries. Under MAP-21, the language was struck so the funding has been eliminated unless language is reinserted in the federal law.

MR. OTTESEN reported the Forest Highway program was also eliminated, which consisted of approximately \$9 million annually designated for highways that led to or fell within a national forest. He characterized the Forest Highway program as being very beneficial in the Tongass and Chugach National forests. The funding was replaced by a new program, Federal Land Access Program (FLAP), which consists of approximately \$7 million; however, all classes of federal land are eligible since the funding is not limited to the national forests.

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MR. OTTESEN discussed performance mandates [slide 17]. He emphasized that performance mandates represent a big change in federal funding. Under MAP-21 each state must participate in a series of performance measures specifically targeted to the national highway system (NHS) routes. He said these performance measures don't apply to the entire network of roads but are limited to NHS routes and target safety, pavement and bridge condition. Additionally, the performance measures will target freight mobility, congestion, and overall system performance. If the NHS conditions fall behind, the state will need to divert more funds to remedy the issues. In the event that the state continually receives a "bad report card" the federal program will penalize the state by requiring a higher match ratio. He offered his belief that the state will still receive the same amount of federal funds. Currently, the state participates with 10 percent in matching funds, but in the worst case scenario, the state would probably need to add up to 35 percent in state matching funds.

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MR. OTTESEN identified some performance measures for American Association of State Highway and Transportation Officials (AASHTO) recommendations [slide 18]. He highlighted that safety, pavement condition, and bridges will be the most prominent areas of focus. He reported that the state's safety record is reasonably good and the state should be able to meet AASHTO safety recommendations. However, with respect to pavement condition the state is near the bottom of the 50 states, in part, due to Alaska's permafrost considerations. Additionally, many of Alaska's highways are classed as interstate highways. Further, Alaska's highways don't have long ramps so gravel is dragged on the roadway and tends to impact the highway condition.

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MR. OTTESEN discussed streamlining [slide 19]. He stated that the MAP-21 attempted to simplify the National Environmental Policy Act of 1969 (NEPA). Although the Congress has tried to simplify NEPA, the bureaucracy seems to thwart these attempts. In fact, the language seems pretty clear, that streamlining should be the "law of the land;" however, the DOT&PF's review of the regulations doesn't indicate streamlining. He said, "It's kind of a sad story that seems to be never ending." The MAP-21 reduced funding categories, but retained subcategories based upon population, so again, "it's sort of a promise that never is quite delivered."

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MR. OTTESEN highlighted other MAP-21 categories, including congestion mitigation and air quality (CMAQ), highway safety projects, and urban planning funds [slide 20]. He explained that the CMAQ funding designed to identify air quality issues was increased. In Alaska, Fairbanks has experienced serious air quality issues known as particulate matter 2.5 or PM 2.5. Additionally, Anchorage has experienced three incidents exceeding the air quality standards due to the very dry winter leading to more dust. He cautioned that Anchorage will face

sanctions if it has one more incident during a three-year period. Thus, the Municipality of Anchorage and the DOT&PF have taken measures to try to reduce the air quality issue by sweeping roads and spraying calcium chloride on the roadways.

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MR. OTTESEN presented MAP-21 conclusions [slide 21]. He stated that the overall federal-aid funding program remains consistent with Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) averages. There are fewer categories, but the funding is more restrictive, particularly with respect to the STP reductions and the elimination of the dedicated bridge program. This means the DOT&PF must use NHS and STP funding to replace bridges. Safety funding has been increased, which is one of MAP-21's biggest benefits. For example, the increased funding will allow the DOT&PF to build 13 pairs of passing lanes on the Parks Highway this summer. Previously the state received \$17 million in funding designated for safety, which was primarily focused on small "hotspot type" of projects. Since safety funding was tripled under MAP-21 to about \$50 million, the DOT&PF had to find more significant projects. In fact, the DOT&PF must undergo the same process whether the projects are small or large ones. It still must perform right-of-way, assess environmental impacts, and undergo public participation. This additional funding means the DOT&PF will be able to focus on "passing lane" projects throughout the state.

MR. OTTESEN stated that the performance measures require collecting and tracking data; therefore, the data costs will rise significantly. For example, the bridge inspection program will require a new method of inspecting bridges, which has doubled the cost of bridge inspections, increasing DOT&PF bridge inspection costs from \$8 million to \$16 million.

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SENATOR DYSON emphasized that Canada is very concerned about Shakwak funding. He asked what DOT&PF anticipates will happen with the Shakwak funding.

MR. OTTESEN answered that the DOT&PF met with its Yukon transportation counterparts about a month ago. He pointed out that the Shakwak funding represents a large percentage of the Canadian Yukon's transportation program. Without the funding, the Yukon will need to consider whether it can continue to maintain parts of the Alaska Highway. He emphasized that the Alaska Highway is used predominately by Alaskans, as evidenced by reviewing passport data. The Yukon government has been working with lobbyist firms and the governor's staff in Washington D.C. office is very aware of the issue.

COMMISSIONER KEMP interjected that the Yukon government has been working with the U.S. Department of Commerce and the DOT&PF has also been supportive.

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SENATOR DYSON suggested that one argument for the Shakwak funding is that the route provides an alternative supply route for some Alaska materials. He said that a significant amount of Alaska's materials flows east to support Canadian mining efforts. He offered his belief that the whole highway is an intrinsic part of the tourism industry, such that people come up on the ferry or cruise ships and drive home. He mentioned that he did not hear the commissioner or Mr. Ottesen mention that the Canadian Yukon [formerly the Yukon Territory] is petitioning its own government for funding to maintain the road.

MR. OTTESEN agreed that he didn't hear it mentioned either; however, the DOT&PF has been working with the Yukon on an economic benefits analysis to identify what the traffic means for Alaska and for the Yukon.

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REPRESENTATIVE FEIGE, referring to slide 5, asked whether the state has made any headway with respect to deferred maintenance.

COMMISSIONER KEMP reported that three years ago the deferred maintenance backlog was \$680 million, which has been reduced to

\$450 million for all modes of transportation. He indicated that the DOT&PF is not only using state funding, but also preventative maintenance funds from the federal programs. He concluded that the DOT&PF has made a significant reduction and the DOT&PF's goal is to keep the momentum of that drop going. He said that the state must keep its highways in good shape and be proactive. The state has been aggressively working to keep the highways in good shape, he said.

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REPRESENTATIVE FEIGE referred to slide 8, to the graph. He recalled that the proposed drop off in funding and Mr. Ottesen predicting this will not happen.

MR. OTTESEN explained that the federal transportation funding has frequently approached a "cliff" several times before. Somehow, the federal government always seems to find a way to address the shortfalls. He also has a slide [at this office] that shows that the U.S. Highway Trust Fund (HTF) will go to zero before the end of federal fiscal year. In other words, this means that revenues are not equal to outlays. What he anticipated will happen is that the FHWA will begin to delay reimbursements to the state and that delayed amount will increase over time. The legislature should be mindful that to balance the books for FY 2014, the HTF will need \$3 billion in reimbursement [from fuel taxes]. Several weeks after the election, the FHWA will need a second \$3 billion to replenish funds. Traditionally, it is difficult to deal with these funding issues prior to an election. However, he identified that it will take \$19 billion to cover the deficit for FY 14 through to the end of the calendar year. Therefore, the Congress faces significant challenges, but ultimately it will need to address transportation funding issues.

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REPRESENTATIVE FEIGE remarked that it doesn't bode well for 2016. He asked why the department anticipates that the funding will increase.

MR. OTTESEN clarified that the funding will increase but not to the same level. He said what will happen is that some of the older projects will be paid off.

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SENATOR FAIRCLOUGH, along the same lines, asked whether the majority of the FHWA funding is derived from gas taxes.

MR. OTTESEN answered that is correct, that fuel taxes are the primary source of revenue.

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SENATOR FAIRCLOUGH asked if the effort to push towards hybrid cars and electric use will limit the fuel tax revenue.

MR. OTTESEN answered yes. He elaborated that the HTF is primarily funded through taxes on petroleum fuels so vehicles fueled with natural gas or electricity are not taxed. He acknowledged that considerable discussions have ensued on how to restructure how taxes are paid. For example, states are considering whether the taxes should be based on miles driven or on a flat tax on vehicles. Although some states are experimenting with tax changes, he did not think anyone was prepared to completely restructure gas taxes. At the same time, he pointed out that auto manufacturers are making liquid-fueled vehicles more efficient.

SENATOR FAIRCLOUGH acknowledged that very complex reasons exist to explain why the system is not self-sustaining, such as the push for alternative fuels and more efficient cars. She also understood the legislature is considering Alaska's fuel tax structure.

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SENATOR FAIRCLOUGH referred to slide 20, to other MAP 21 categories. She recalled the funding increased from \$17 million to \$50 million. She said she has been reviewing volcanic eruptions worldwide, noting that Hawaii has experienced volcanic

activity since the 1980s. She wondered how Hawaii could be compliant with particulate matter standards and whether it has received an exemption due to naturally occurring volcanic ash. She emphasized that Alaska has a naturally-occurring inversion so weather patterns in Anchorage and Fairbanks hold the particulate matter in an area. She asked whether Hawaii and Alaska could work together to address air quality standards since it isn't possible to control what "Mother Nature" is doing.

MR. OTTESEN responded that raises an interesting question about natural causes to particulate matter, such as dust generated from agricultural fields, volcanic eruptions, or glacial winds sweeping dust into the air. He acknowledged that the Environmental Protection Agency (EPA) does allow certain natural events to be excused. He offered his belief that Hawaii's eruptions are in rural areas in which the EPA is not specifically measuring air quality. He agreed that Alaska should join forces with other states but not just Hawaii.

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SENATOR BISHOP expressed concerned about the impending closure of Flint Hills refinery in Fairbanks, since it impacts the state's ability to make asphalt. He acknowledged that it is already expensive to build lane miles without importing asphalt. He referred to slide 12 and asked where the Fairbanks Metropolitan Area Transportation Solutions (FMATS) fits in MAP-21 and whether it would fall under the [places greater than 4,000 and less than 200,000 population areas] shown in green on the pie chart.

MR. OTTESEN answered that the FMATS obtains a population pro-rata share of the green slice shown on slide 12, with FMATS funding estimated at \$8 million.

SENATOR BISHOP remarked he would like to visit the safe routes to schools later.

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CHAIR EGAN referred to slide 3 to the Shakwak funding and asked for the specific amount.

MR. OTTESEN pointed to the bar graph to 2012 and noted that the Shakwak funding shown in turquoise represents \$30 million. He acknowledged the funding is unique, noting the bar graph does not show the Shakwak funding specifically directed to Canadian government and transferred to the Yukon. He remarked that Alaska tracks the Shakwak funding since it is important to Alaska. He clarified that the specific \$30 million in FY 12 is funding to Alaska that is used for projects within Alaska.

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CHAIR EGAN remarked that significant Shakwak funding has been used on the Klondike Highway. He stated that loads will increase due to hauling ore from the Yukon to Skagway. He asked how the DOT&PF will obtain funding for the Klondike Highway since Shakwak funding no longer exists.

MR. OTTESEN answered that the Klondike Highway is a NHS route, so it is competing for funds in that category.

CHAIR EGAN asked about funding for the Klondike on the Yukon side [of the border] since the bulk of the Klondike Highway lies in the Yukon.

MR. OTTESEN answered that the only highways eligible for the \$30 million that Canada receives is the Haines Highway from Haines Junction north to the Alaska-Canada border. In further response to a question, he acknowledged that none of the Shakwak funding is designated for the Klondike Highway.

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CHAIR EGAN asked whether MAP-21 removed bridge replacement funds.

MR. OTTESEN answered that about \$4 million is for bridge replacement.

CHAIR EGAN asked whether the \$4 million was also used for other purposes.

MR. OTTESEN agreed. He emphasized that the \$4 million isn't adequate to even cover bridge inspections.

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REPRESENTATIVE KREISS-TOMKINS asked him to predict the future of Alaska's state and federal transportation funding since federal transportation funding is expected to continue to decline.

MR. OTTESEN acknowledged that the MAP-21 funding couldn't come at a worse time given the deficit. Many members of the Congress advocate de-federalizing the program and not collecting the federal fuel tax. Instead, these members would like states to individually collect all future fuel taxes. Since Alaska is a "5 to 1 state," meaning that for every federal dollar collected in Alaska for the federal fuel tax, Alaska receives five dollars in return, that approach wouldn't benefit Alaska. Nationwide, the trend is to use more tolls roads and even Alaska has a toll proposal with the KNIK Arm Bridge proposal. He said, "It's tough; there's no doubt about it."

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REPRESENTATIVE KREISS-TOMKINS said he appreciated Senator Fairclough's comments on diminishing HTF revenues. He related his understanding that besides the impacts of alternative energy vehicles that as America becomes a more urban society it means that fewer miles are driven. Further, he pointed out that federal fuel taxes have not been adjusted for inflation since 1993 so the purchasing power is diminishing every year. He asked when state fuel taxes were last adjusted for inflation even though he understands that fuel taxes are not dedicated to transportation.

MR. OTTESEN answered that Alaska's fuel taxes went "back and forth in the 60s" and settled at about \$.08 per gallon. He reported that other than the one year under Governor Palin when the gas tax was suspended that the taxes have remained constant.

When the gas tax was set in the 60s, Alaska had the highest fuel tax in the country. Currently, Alaska's fuel tax is the lowest in the country, he said.

CHAIR P. WILSON remarked that Alaska's fuel tax has not increased in 53 years.

[2:02:51 PM](#)

REPRESENTATIVE ISAACSON asked for DOT&PF's recommendations for policy makers with respect to the motor fuel taxes.

MR. OTTESEN answered that he is not at liberty to make statements with respect to taxes. He characterized the current situation as being a tough one. Some people don't realize how dire the situation is; however, the Congress could address transportation funding and Alaska could proceed for another decade, he said. He pointed out some states have cut maintenance costs by moving from paved roads to gravel roads.

[2:05:07 PM](#)

CHAIR P. WILSON remarked that North Carolina has so many roads that she recalled someone saying it had a paved road within 10 miles of every community college. She said when she lived in North Carolina there were 53 community colleges located in the state.

[2:05:33 PM](#)

REPRESENTATIVE ISAACSON commented that the technology has come a long way in terms of chip seal technology. He asked whether that should be a policy consideration.

[2:06:15 PM](#)

MR. KEMP acknowledged that the DOT&PF is considering "chip seal" technology and will aggressively pursue its use on the Kenai Peninsula. He reported that the department performed two projects last year and hopes to continue the program. He added that the department will continue to address the funding issues.

For example, the department has been examining projects in terms of re-scoping some of them. He offered his belief that the DOT&PF must return to its core mission. For example, when the department undergoes projects, communities often want bike paths, lighting, and other amenities; however, the department will take a hard look at projects and will dial back projects. He said the DOT&PF will take care of its transportation system, that the NJHS program current has 135 major road projects. He stressed the DOT&PF must first maintain its current roads.

[2:09:31 PM](#)

REPRESENTATIVE ISAACSON appreciated the DOT&PF's approach to hone in on the department's "core mission." However, the legislature needs to make the policy decisions. Prior to adding taxes it's important to look at programmatic ways to address revenue reductions, he said. He acknowledged the high cost to upgrade roads. He asked the department to provide the legislature with direction on ways it can assist the DOT&PF by removing onerous requirements and to help cut project costs so projects are more affordable.

CHAIR P. WILSON also would like to know if the requirements are state or federal rules or regulations.

[2:12:58 PM](#)

MR. KEMP stated that the DOT&PF is currently undergoing a huge efficiency effort and management will discuss efficiencies. He ventured that with the majority of projects the scope grows. Certainly, communities shouldn't be faulted since the amenities are nice, but given the downturn this creates difficulties for the DOT&PF. Thus the department's direction and focus is to go back to its core. He acknowledged federal and some state bureaucracy exists. He said he is focused on "the bigger picture" and is committed to keep the department operating within its means and to find better ways to do business. He acknowledged that the STIP exercise is important, not only the NHS, but the STP portion of STIP, since that will affect communities. He understands expectations for projects exist, but the DOT&PF just cannot meet them.

[2:14:59 PM](#)

CHAIR EGAN commented that the City and Borough of Juneau (CBJ) has had very good results with bituminous surface treatment - chip seal treatment. He suggested that chip seal works well for low-volume roads and is easy to maintain.

COMMISSIONER KEMP reported that about 15 years ago the DOT&PF created a "gravel-to-black" program. He recalled that the DOT&PF paved over "everything" even over bad bases. When those roads deteriorate they are much more costly to repair. He acknowledged that for low volume roads it is much more cost effective to grind the pavement and "put a chip over it." He related his understanding that some people were opposed to this type of road repair. However, he remarked that the Canadians are experts [with chip seal], that Southeast and Northern regions have aggressive programs, and chip seal programs represent one of the cost savings measures the department is using.

[2:16:51 PM](#)

CHAIR EGAN asked whether the state will lose funding for Alaska Marine Highway System (AMHS) under MAP-21 or if it will be ranked differently.

MR. OTTESEN answered that the ferries and terminals are eligible for the National Highway Performance Program (NHPP) funding, which is targeted on the National Highway System (NHS) or for the Surface Transportation Program (STP) funding. He explained the distinction being that if the terminal is attached to an NHS highway, as it is in Juneau, Kodiak, Whittier, and Valdez, then the vessels and the terminal are eligible for NHPP funding. The ferries and terminals in smaller communities are eligible for STP funding. He said, "Some part of those slices of the pie that I showed you will have to be allocated to the ferry system on an annual basis just to keep up with the wear and tear." He estimated that the DOT&PF's spending plan covers three to five ferry terminals per year.

CHAIR EGAN asked for further clarification on whether the AMHS funding has changed.

MR. OTTESEN answered that the NHPP funding went up and most ferries are eligible. Additionally, almost all vessels "touch" an NHHS terminal at some point so these vessels are also eligible for NHPP funding.

[2:19:03 PM](#)

SENATOR FAIRCLOUGH followed up on Representative Isaacson's question, which is how to deliver better projects and prioritize them. She hoped that as part of the community participation in projects - including project scoping - that the state will allow the communities to tax themselves and work as partners if the local communities want the additional amenities. She also hoped that the process of adding additional amenities will not allow people the means to stall projects.

SENATOR FAIRCLOUGH then referred to slide 18, and stated that some roads are classified as interstate roads, which qualify for federal funding. She wondered if any cost benefit analysis has been performed, for example, when the state has classified roads and incurs responsibility for repair and maintenance. She further queried as to whether the state could accomplish more by not classifying roads as interstate roads and use another method to access the federal funds.

[2:21:36 PM](#)

MR. OTTESEN answered that the category funding that the state became eligible for interstate maintenance funds. All other states that had interstate highways were receiving some fraction of a category known as interstate maintenance. He reported that it brought "several tens of millions of dollars per year." However, the roads in question are already classified as NHS roads and represent some of the most important routes in the state, including the Parks Highway and Seward Highway. He cautioned against going backward, which would make those highways compete for the STP category which is even more constrained.

**Presentation by the Department of Transportation & Public
Facilities: STIP Procedures by Jeff Ottesen, Program Development
Director**

[2:22:23 PM](#)

CHAIR P. WILSON announced that the final order of business would be a presentation by the Department of Transportation & Public Facilities: STIP Procedures by Jeff Ottesen, Program Development Director.

[2:22:31 PM](#)

MR. OTTESEN said his overview will cover the Surface Transportation Improvement Program (STIP) basics and the history of the DOT&PF's scoring system. In 1991, the Congress added language under 23 USC Section 118 (d) for transportation authorization. He explained that a class of roads had become eligible for STIP funds, but the traditional method of identifying projects didn't work to prioritize the projects. Previously, projects were included in a state-adopted transportation plan or were identified in management systems, such as safety, bridge condition, and pavement condition. The federal highway aid program (FHWA) is an extremely complex 60-year old program, he said.

[2:24:15 PM](#)

MR. OTTESEN related, for example, that the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (Safetea-Lu) passed in 2005 with 1,700 pages of law [slide 2]. In 1991, the STIP rules required that all surface transportation projects, including highways, trails, buses, ferries, and ferry terminals must be included the STIP. He identified the STIP as a listing of projects by year of spending, including a description and location. Additionally, the projects needed to be financially constrained, which meant the state needed to adjust the amount of project work and cost to match the anticipated funding on projects. Further, projects needed to have a four-year horizon, contain subordinate

transportation improvement programs (TIPS), including one for Fairbanks Metropolitan Area Transportation System (FMATS), Anchorage Metropolitan Area Transportation Solutions (AMATS), the Tribal Transportation, and the now defunct Forest Highway program. He characterized the STIP as being the "mother document."

[2:25:57 PM](#)

MR. OTTESEN stated that the commissioner has to certify when the STIP is amended or updated indicating that a whole "laundry list of rules" is being followed. The federal partners the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) must approve [slide 3].

MR. OTTESEN provided other requirements including that the STIP must be consistent with the Statewide Transportation Plan (STP). The STIP has been litigated twice in Alaska and in one case the state prevailed, and in another the project was not in the plan and it took over a year to make the project eligible [slide 4].

[2:27:12 PM](#)

MR. OTTESEN explained the STIP requires an extensive public process, including rules such as coordination and consultation. The STIP contains all transit highway projects. The DOT&PF must meet air quality standards since non-attainment days result in stair-stepped penalties. In the worst case the EPA takes over the STIP, which has happened in other states such as California, even if the non-attainment is not due to transportation issues.

MR. OTTESEN reported the STIP contains four categories, including NHS, the Community Transportation Program, Alaska Highway System, and Trails and Recreational Access for Alaska Trails (TRAAK). The DOT&PF must also sub allocate, for the Metropolitan Planning Organization (MPO) an Area Transportation Solutions.

[2:29:57 PM](#)

MR. OTTESEN discussed eligibility for all public roads, ferries, and buses [slide 6]. He said the federal law applies to two jurisdictions, Alaska and Puerto Rico. He pointed out four STIP categories are set in Alaska law and receive percentages of funding: the NHS at 48 percent, the Alaska Highway System at 8 percent, community transportation at 39 percent and TRAAK funding at 2 percent. Additionally, the DOT has allotted 3 percent for flexibility, he said.

[2:31:01 PM](#)

MR. OTTESEN related that the DOT&PF established scoring in 1994 and scoring is one of three ways to add a project to the STIP [slide 7]. First, projects are identified in plans, such as the Southeast plan, condition data, and scoring

[2:32:40 PM](#)

MR. OTTESEN turned to slide 8, and emphasized that scoring occurs per 23 USC Section 118 (d), which read, as follows:

Funds made available to the State of Alaska and the Commonwealth of Puerto Rico under this title may be expended for construction of access and development roads that will serve resource development, recreational, residential, commercial, industrial, or other like purposes.

MR. OTTESEN said this means that any public road in Alaska is captured. He related that the eligible grew from 30 percent to 100 percent. Thus, the state almost tripled the amount of roads that were eligible, but now these projects must now compete for the same "bucket" of funds.

[2:33:15 PM](#)

MR. OTTESEN discussed the Pre-1991 Eligible Roads [[slide 9]. He identified four tiers, including arterial, urban/major collector, minor collector, and local roads. He explained that these are functional classifications. The primary purpose of an arterial road is to move traffic at higher speeds, for example,

roads such as Egan Drive, the Parks Highway, and Tudor Road. The collectors are less busy roads and serve two purposes, to move through traffic and provide local access. These are roads that connect to the tiers. He pointed out that the bottom two tiers on the slide represent 70 percent of the road miles. Those two categories are not eligible for federal funds in 49 states, but are eligible in Alaska and Puerto Rico. He identified the DOT&PF owned roads are green. He reported that nearly 99 percent of the arterials are owned by DOT&PF whereas the vast majority of local roads are owned by local government. In 1991, every road became eligible and subject to provisions in 23 USC Section 118 (d). He pointed to the left of slide 9, to the vehicle miles of travel and the number of accidents, which are skewed toward arterials. Clearly, the state added road miles, but "the economy happens on the upper two tiers." For example, this is how freight moves and how people get to work.

[2:35:46 PM](#)

MR. OTTESEN discussed the net effect of 23 USC Section 118 (d) [slide 10]. He said that eligible roads grew from 30 percent to 100 percent, yet no additional funds were provided. Most of the roads that were added were not already included in planning documents since local government does its own planning. Since the DOT&PF did not have information on the local roads, the state needed a new mechanism for projects or the projects would likely never achieve funding, which is how scoring was developed.

MR. OTTESEN said that under the scoring system anyone can nominate a project, including local government, tribes, businesses, legislators, and state agencies. At the same time the DOT&PF recognized it could not build every road.

[2:36:41 PM](#)

MR. OTTESEN discussed nomination and scoring [slide 11.] He stated that beginning in the 1990s the priorities were sanitation road needs. As the state began to build landfills, sewage lagoons, airports, and docking facilities, these projects

were given priority. He reported that the DOT&PF has met most of the needs and have served villages.

MR. OTTESEN identified two major categories that were not scored, including the NHS and AHS. He explained that paving local roads in small communities with few cars has not been a priority. The NHS and AHS were never considered for scoring since the DOT&PF already had information on these systems, including traffic growth, accidents, and bridge failure. The FMATS and AMATS were also excluded since the MPOs receive federal funding, have responsibility for planning and project selection [slide 12].

[2:38:43 PM](#)

MR. OTTESEN explained scoring criteria [slide 13]. The DOT&PF has several different scoring criteria, necessary due to the diversity in Alaska, including scoring for urban and rural, transit, intelligent transportation systems (ITS), and enhancements.

[2:39:38 PM](#)

MR. OTTESEN stated that to make the scoring fair the DOT&PF normalized the maximum score each category can achieve. The DOT&PF's nomination cycle occurs every two years, but due to MAP-21 and the backlog of projects, the department has skipped scoring for two years and is now reaching the fourth year without scoring. Projects are scored at the region level and then at headquarters. Scoring is performed by senior staff, with both regional and statewide views [slide 14]. He characterized scoring as tedious and time-consuming.

[2:41:26 PM](#)

MR. OTTESEN identified the major category of formula funds as STP, NHPP, CMAQ, and the Highway Safety Improvement Program (HSIP). The formula funds have an eligibility purpose, longevity, and some have sub allocations that the department must consider [slide 16]. Thus, the process of picking projects is complicated and takes years to learn. He

lamented that one of his senior staff recently announced his resignation so the DOT&PF lost a valuable expert.

[2:42:30 PM](#)

MR. OTTESEN referred to the final slide and explained that the department is always working with two STIPs: the current STIP, that guides projects being funded, which is often amended; and the replacement STIP that is activated every two years. For example, the DOT&PF identifies projects that have been accomplished, ones with updated financial. The DOT&PF is currently working under 2011-2014, which is currently under Amendment 9. At the same time, the DOT&PF is working on the 2014-2017 STIP, identifying projects, project scope, and how the department can accomplish as many projects as possible to serve basic transportation needs under budget.

[2:44:07 PM](#)

CHAIR P. WILSON asked whether the department needs to change the criteria and if the legislature needs to change any statutes to assist the department in its efforts.

MR. OTTESEN responded that accurate project cost estimates are not always available when projects are placed on the list. In the past, the DOT&PF almost always "federalized" projects in order to deliver them; however, it will be more difficult to "federalize" projects now, which means hard choices will need to be made. He was unsure of solutions and whether the DOT&PF will need to request additional funds in order to complete projects.

MR. OTTESEN said that at the same time the department needs to have some measure of flexibility to make decisions. He described two bond projects in which one was "federalized" but doing so enabled both projects to be built. These projects went out to bid last summer, he said.

[2:48:18 PM](#)

CHAIR P. WILSON suggested the state may need to turn projects over to local communities.

MR. OTTESEN referred to the three modes of transportation - highways, aviation, and harbors. He pointed out the state expects 50 percent cost sharing by local government. The state owns most of the airports so the state provides the matching funds, but if local government owns it then the DOT&PF still provides half of the matching funds. Further, the DOT&PF provides nearly all of the matching funds for highways. He suggested that requiring communities to contribute towards projects tends to help control costs.

[2:51:04 PM](#)

CHAIR EGAN referred to STIP basics (4) and asked what roads are included in the Alaska Highway System [slide 6].

MR. OTTESEN indicated that the list is identified in regulation. The department hopes to add several more. He related that these roads typically connect one community to another community.

[2:52:17 PM](#)

CHAIR EGAN indicated that when the department adds projects into the STIP that sometimes the "projects will disappear" when the STIP changes, but communities are not informed. He suggested that the DOT&PF keep communities informed on changes.

[2:53:02 PM](#)

MR. OTTESEN stated that the DOT&PF publishes an appendix that identifies changes to the STIP.

CHAIR EGAN urged DOT&PF to keep communities informed and not rely on an appendix to do so. He expressed concern on another matter, that when the state gave the City and Borough of Juneau and other Southeast communities its harbors that the harbors weren't improved and the local government had to pick up the costs.

MR. OTTESEN said he would take that under advisement.

[2:54:14 PM](#)

SENATOR FAIRCLOUGH asked when the 2014-2017 STIP was developed whether a financial analysis was also done to determine the state's overall commitment. Further does this mean the state will not advance other projects since the state must complete the ones identified in the STIP projects. Otherwise, the state would be required to repay funds. She further asked him to identify a solution when the state discovers it doesn't have enough money to finish projects.

MR. KEMP stated the department is currently involved in that process and it is making some progress. In fact, just this morning staff was reviewing spreadsheets. He hoped to report back to the committee sometime this legislative session. The DOT&PF has separated the NHS from the STIP and will address it separately, which will then be followed by the STP, he said.

[2:55:42 PM](#)

SENATOR FAIRCLOUGH commented that from a financial perspective, that the House Finance Committee is interested in commitments and cash flow. Secondly, she asked about mobilization of projects in rural Alaska. She wondered if it was possible to align mobilization of projects to reduce overall contract costs. She further asked whether that effort could be coordinated between departments.

MR. KEMP answered that is difficult since the departments use different systems so the DOT&PF does not currently coordinate with some other departments. He indicated that the department is aware that the mobilization is "killing us." He acknowledged that her idea is an excellent idea and welcomed legislator's input.

SENATOR FAIRCLOUGH suggested that the joint committees could issue a letter to the Department of Commerce, Community & Economic Development and the Department of Education & Early Development to ask for consideration of consolidating projects. She understands that "silos" are often created. While she did not want to adversely affect the procurement process once the

projects are awarded, perhaps there might be a way to negotiate costs down. Subsequently, a second phase could perhaps address mobilization and de-mobilization costs.

CHAIR P. WILSON commented that her suggestion is an excellent idea. She commented that the Rasmuson Foundation and Foraker Group might suggest community involvement to ensure that the communities can handle the upkeep and maintenance. She offered her belief that the state may need to do that on projects, as well.

[3:00:57 PM](#)

REPRESENTATIVE ISAACSON pointed out that the University of Alaska Fairbanks is requesting \$500,000 over three years to add to its Geographical Information Network of Alaska (GINA), which is a mechanism within the University of Alaska Fairbanks (UAF) for sharing data and technical capacity among Alaskan, Arctic, and world communities of Alaska. He explained that this mapping project can identify all projects in a location. Of course, the accuracy of the data is contingent upon departments and agencies maintaining their project databases. He related that this tool is being developed and while the project doesn't deal with sustainability, it could help bring down costs.

[3:03:09 PM](#)

SENATOR FAIRCLOUGH suggested that the finance committees may wish to consider the project. She said she specifically was interested in the House and Senate Transportation Committees sending a joint letter to address the procurement side and create flexibility. She offered her belief that legislature has created some "silos" in departments which limits their ability to communicate and coordinate activities. If the legislature has created barriers that limit negotiation, that in the second round it may be possible to reduce project costs, which might be a way to move forward. She noted it might be necessary to bring some of the departments who issue grants before the legislature, including the DOT&PF, the Department of Commerce, Community & Economic Development, and Department of Education & Early Development. She acknowledged that an analysis is already

performed on project worthiness, readiness, and sustainability. She remarked that sometimes giving people what they want leads to bankruptcy because the entity or community can't pay the operating costs. She concluded that Representative Isaacson's point was "spot on."

[3:05:34 PM](#)

ADJOURNMENT

There being no further business before the committees, the joint meeting of the House and Senate Transportation Standing Committees was adjourned at 3:05 p.m.