

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

January 22, 2013

1:02 p.m.

MEMBERS PRESENT

SENATE TRANSPORTATION

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

HOUSE TRANSPORTATION

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

MEMBERS ABSENT

SENATE TRANSPORTATION

Senator Hollis French

HOUSE TRANSPORTATION

Representative Craig Johnson

COMMITTEE CALENDAR

Presentation: Department of Transportation and Public Facilities (DOTPF) overview on surface transportation

- HEARD

Presentation: MAP-21

- HEARD

Presentation: Roads to Resources

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to consider

WITNESS REGISTER

KIM RICE, Deputy Commissioner
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska
POSITION STATEMENT: Provided presentation on surface transportation issues.

MIKE VIGUE, Operations Manager
Division of Program Development
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska
POSITION STATEMENT: Provided presentation on MAP-21.

JEFF OTTESEN, Director
Division of Program Development
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska
POSITION STATEMENT: Provided financial background and other commentary related to the MAP-21 presentation.

MURRAY WALSH, Special Assistant to the Commissioner and Manager
Road to Resources
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska
POSITION STATEMENT: Provided presentation on the Roads to Resources initiative.

ACTION NARRATIVE

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CHAIR DENNIS EGAN called the joint meeting of the Senate and House Transportation Standing Committees to order at 1:02 p.m. Present at the call to order were Senators Dyson, Fairclough, Bishop and Chair Egan; Representatives Isaacson, Feige, Gattis, Kreiss-Tomkins and Chair Peggy Wilson.

Presentation: Department of Transportation

and Public Facilities (DOTPF) Overview on
Surface Transportation, Roads to Resources, and MAP-21

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CHAIR EGAN said the first presentation would be an overview of surface transportation by the Department of Transportation and Public Facilities' deputy commissioner Kim Rice.

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KIM RICE, Deputy Commissioner, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, gave her professional background saying she graduated from the University of Alaska Fairbanks (UAF) and had been with department since 1979, but had first started working with the state in 1973 as a file clerk at the Ferry System. She had also worked in the department as a bridge engineer, project manager, right-of-way chief, preconstruction engineer and, most recently, director of the Division of Design and Construction.

In providing an overview of the highways, she said her intent was to cover their undergirding statutes, their mission, how they are organized and where they are on their capital and operating budgets; she would also talk about the department's strengths and challenges.

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MS. RICE said the department plans, designs, constructs and maintains all state modes of transportation and facilities. Their mission is in Title 44, but Title 19 tells them how to do their job. Their mission is broader than most other states'. Their purpose as a highway department is to be capable of carrying out a highway planning, construction and maintenance program. They are responsible for the network of highways linking together cities and communities throughout the state. They support the development of commerce and industry in the state as well as extraction and utilization of its resources and providing access to its citizens.

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Because the department uses so much federal funding, the Code of Federal Regulations in Title 23 undergirds and guides a lot of their processes. As she rose up in the department, Ms. Rice remarked that she knew more about what was in the Code of Federal Regulations than she needed to know about what was in Title 19 in order to keep them out of trouble.

MS. RICE said the department's mission is to provide for the safe and efficient moving of people and goods, to provide access to state services and to open opportunities for exploration and development. She emphasized that she liked the word "service" because it meant serving the people and developing the infrastructure that provides access for them.

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She said over the last few years they had spent a lot of time thinking about "core values" and realized that one of the things that has kept her at the department is the integrity of the people she works with. Positive regard for colleagues is encouraged there as well as serving the public.

She explained that the department is arranged in two main pieces: regions and headquarters. Headquarters is the policy, procedures and broad programs and program development. Regions are the boots on the ground: maintaining roads and building projects. The groups interface so what one does affects the other.

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MS. RICE said the state has three geographic regions: Northern, Central and Southeast. The Northern Region has the largest land mass and the most roads; the Central Region has the most population and the most dual lanes and traffic volumes and Southeast has the Marine Highways and ports. Each region is structured differently.

The state national highway system (NHS) has 2,577 center-line miles of road. She explained that Alaska has an exemption from meeting the interstate standards, but their goal should be to bring that road up to those standards for the safety of the traveling public. Overall, DOTPF owns and maintains 5,601 miles of roads/highways varying from interstate type facilities to two-lane dirt roads, 805 bridges and 7 weigh stations.

She said that federal regulation requires them to inspect all the public highway bridges in the state every two years. They have 84 statewide maintenance stations, some of which are shared with other facilities (air transportation, surface and water), and there is an advantage to creating a main DOT over individual departments, because for example, in many villages the same person plowing your street may also plow your airport.

MS. RICE said this year's proposed operating budget is \$635 million. About 20 percent of that is direct boots on the ground

highway maintenance money that is tracked through H&A (Highways and Aviation). Their capital budget is close to \$1 million. The highway program itself is proposed to be \$.5 million (just the federal aid program not including the state capital program).

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She showed a distribution graph showing how federal funding has fluctuated over the years, but said that overall the capital program is close to \$.5 billion annually. To her knowledge, Ms. Rice said they had not turned back any money to the federal government, but they had returned money to the state legislature. They are always told getting the program out is their number one mission and their number one job, and they have been highly successful at that even though they have the greatest challenges in terms of climate and weather conditions. For example she flew to Juneau last night, only she went to Sitka instead and came back this morning. That's the kind of stuff their contractors and engineers have to deal with, but she believed the department has the competence to deliver its programs and she appreciated the opportunity to serve.

MS. RICE said they always have challenges:

- Balancing the budget while trying to meet all the needs that are out there, despite changing conditions and expectations. "Scope creep" is common because there is always something more that can be fixed while you are there.
- Capital dollars are very dependent upon federal funds; dollars are not indexed to need or construction cost. Not being met:
 - Rural essential needs
 - Population growth demands
 - Safety issues
- Staffing and aging workforce issue (retirement of the baby boomers)
- Environmental issues continue to grow; new issues are being raised and longer process timelines are needed (time is money in the development process).

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MS. RICE showed a slide of the many federal regulations that have to be addressed while doing project and program development saying that MAP-21 can now be added to that.

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SENATOR BISHOP congratulated her on her new position in the department. He said his pet peeve was "mission creep" and asked

if going through all these protocols adds to the value of the asphalt. From 1900 to 1960 the state had five agencies and now there are over 70 checks and balances; the state could get a lot more bang for its buck and more lane miles paved if the regulatory process could be streamlined.

MS. RICE said the biggest challenge and opportunity they face is the new federal authorization. She explained that a new bill comes out every six years. She provided website links for DOTPF information sources saying there was a list of projects with websites on the DOT website.

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SENATOR DYSON thanked her for her presentation and asked if the permafrost temperature is rising and if the roads are being degraded in the Northern Region because of it. He was glad she was paying attention.

MS. RICE replied that she had seen a couple of pictures recently that people are attributing to that possibility. She had read it had gone up a half degree, but she wasn't an expert. The permafrost base is being monitored and people speculate about what will happen to the road bases if the permafrost melts.

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MIKE VIGUE, Operations Manager, Division of Program Development, Department of Transportation and Public Facilities (DOTPF), Juneau, AK, introduced himself.

JEFF OTTESEN, Director, Division of Program Development, Department of Transportation and Public Facilities (DOTPF), Juneau, AK, briefed the committee on Mr. Vigue's background. He came to them about three years ago from the State of Maine where he worked for the Federal Highway Administration as the financial officer; prior to that he was with Maine DOT and ran their Transportation and Community and System Preservation (TCSP) program. Prior to that he was with Alaska DOT and was one of their junior planners. He has had quite a lot of experience, especially with Federal Highways and the state is lucky to have him.

MR. VIGUE said he would provide an overview of MAP-21, the current federal transportation policy that became effective on October 1, 2013. It's a two-year bill, which is a little bit different than the five-year bills in the past: passed in the 90s, ISTEA was for six years; TEA-21 was for five years and SAFETEA-LU was for five years. Now we have MAP-21 for only two

years. It gives the state some stability but not as much as in the past.

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Slide 4 indicated annual funding levels provided by Congress to the state through the Federal Highway Administration. SAFETEA-LU was in purple; the blue column showed formula funding, money the state of Alaska gets based on number of vehicle miles traveled and contributions to the Federal Highway Trust Fund based on fuel taxes; and the red was earmarks and set-aside funds.

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SENATOR DYSON remembered significant financial constraints in 2005 and said he suspected there was a pretty strong correlation between oil prices and the budget deficit/surplus.

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MR. VIGUE said one of the reasons MAP-21 is a two-year bill is that Congress was unable to solve the problem of revenue in the Highway Trust Fund. So it relies on general fund (GF) money being transferred from the US Treasury into the Highway Trust Fund in addition to the surplus in the account for the leaking underground storage tanks. For the two years, about \$19 billion had to be transferred from sources outside of the Highway Trust Fund into it to balance the bill. Congress had to do that in 2006 and 2008, also, because the Highway Trust Fund did not have enough money to sustain the level of funding that SAFETEA-LU provided. He said MAP-21 has significant new policies and cited streamlining in program areas and in the way funding comes to the department as examples.

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MR. VIGUE said the highest amount of funding Alaska received for one year was \$520 million and they are looking at getting about \$485 million for 2013 and expecting a very small increase to maybe \$488 or \$490 million in 2014. He reported that transit funding was about \$4 million less in 2013 than in 2012. In the past, Alaska had received a set-aside of \$10 million for the Ferry program, and that went away. A new formula was put in place, but they didn't know what the results of it would be.

CHAIR EGAN asked how the Vessel Replacement Fund gets integrated with that. He thought there had been a federal match at some point in time.

MR. OTTESEN explained that the Vessel Replacement Fund has been used as a source of general funds for a general fund ferry that

was not following federal rules, so there were no federal funds involved in those decisions at all.

MR. VIGUE said the money the state is getting from federal Highways has done a lot of the smaller projects the ferry system needs like maintaining terminals and repairing vessels. He noted that they had recently put out a bid for repowering the M/V Columbia.

CHAIR PEGGY WILSON explained that the reason the state had used general funds instead of federal funds is because it could be done cheaper and with less red tape.

MR. OTTESEN added that when you don't use federal funds you're not stuck with the federal rule book and you can do procurement favoring Alaskan vendors like the Ketchikan Shipyard.

MR. VIGUE said they had noticed that MAP-21 was a resetting of the federal priorities putting much more emphasis on the national highway system (NHS). A new program was created called the National Highway Performance Program (NHPP). He added that slightly less than 60 percent of our federal money was dedicated to the National Highway System (NHS); that includes the interstate system, the National Highway System and Strategic Highway Network, and multi-modal connectors that connect airports to ports and that sort of thing.

He said the Highway Safety Program has almost doubled in size and has new performance standards under the NHPP. The Federal Highway Administration has started to reach out to an organization of all the states to put some meat on the bones of what the performance standards will be. And there has been more focus on the urban areas with populations greater than 200,000, which in Alaska means the Anchorage area.

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REPRESENTATIVE ISAACSON asked if this bill will be stable for two years or will it go down next year.

MR. VIGUE answered that it will be stable for two years; the department will get funding in 2014 that is very similar to 2013. Anything past that is an uncertainty.

REPRESENTATIVE ISAACSON said to him MAP-21 represents a threat to the DOT's ability to meet the needs of projects on the plate now and asked if the legislature has to do something this year to allow them to make more efficient use of the money.

MR. VIGUE said that MAP-21 is a stop-gap that Congress will have to address because there are a huge number of needs out there and not nearly enough funding to cover them all.

MR. OTTESEN said the Highway Trust Fund is predominantly funded through gasoline and diesel taxes and because of ever higher standards for mileage and moving to alternative fuels, the tax yield per vehicle is going down. Conversely, there are more vehicles producing wear and tear on the highway system. So there is a disconnect between the use of the system and the funding stream for the Highway Trust Fund.

CHAIR EGAN asked if Alaska has one of the lowest gas taxes in the nation.

MR. OTTESEN answered yes, but there is no real connection between a state gas tax dollar and what comes to DOTPF. He was speaking to the Highway Trust Fund and the federal component tax that feeds it. The state gas tax goes into the general fund and doesn't come into the program directly.

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REPRESENTATIVE KREISS-TOMKINS asked if the state had considered a vehicle miles traveled (VMT) tax structure.

MR. OTTESEN replied no, but several other states are looking into that idea. Oregon is the leader in finding a new way to measure the use of the highway system in order to charge a fee.

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MR. VIGUE said MAP-21 narrowed funding to go to the NHS but at the same time they also expanded the system to include principal arterials, a functional class of how a road is expected to operate, and that added 90 miles to the mileage attributed to the Alaska NHS. That is important, because part of the funding formula is the number of lane miles on the NHS. So the more lanes you have, in theory, the more funding you will get. Fifty-seven percent of our federal funding is dedicated to the NHS; 27 percent is focused on lower tier roads, which means anything under a principal arterial such as minor arterial or a major collector. He said a lot of the roads in Juneau are not NHS. So a significant number of miles have a smaller amount of funding available for them.

He said 7 percent of the funding is directed to safety under the Highway Safety Improvement Program, and that almost doubled in

size from SAFETY-LU to MAP-21. In addition, there are sanction funds, which means that because Alaska doesn't have an open container law and a repeat offender law it gets sanctioned, the sanction being that NHS and STP funds go over to safety. That almost doubles the safety program again, so it will be very large in the next few years.

CHAIR PEGGY WILSON asked how much money would be gained by putting those laws in place.

MR. OTTESEN answered that the sanction doesn't take money away; it changes the program it goes to. If Alaska changed its safety laws to match the federal requirement, it would remain in the two other categories of STP and NHS, which get 5 percent each.

CHAIR EGAN asked if Egan Drive is a lower tier road.

MR. OTTESEN answered no; it is part of the NHS. So, it's well funded. Douglas Highway is a lower tier road as is Mendenhall Loop and Glacier Highway until you get to Don Abel's.

MR. VIGUE said the sanction money amounts to about \$22 million annually. He showed a map of NHS in Alaska giving them an idea of what is eligible for those NHS dollars. A pie chart showed \$237 million in NHS funding for 2013 on one side and 2577 miles of NHS road on the other indicating that 18 percent of the road miles were getting 57 percent of the money. The next largest pot was Surface Transportation Program (STP) funding at \$109 million; the smaller pots of funding were for things like safety, congestion mitigation, air quality, planning, and transportation alternatives.

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REPRESENTATIVE ISAACSON asked if that 50 percent of federal funding is still constrained to the 18 percent of our roads.

MR. VIGUE answered yes, but this doesn't deal with the roads to resources program, which has been funded with just state money so far.

REPRESENTATIVE ISAACSON said he just wanted to make it clear that all local roads are not receiving the federal money. If we're receiving 57 percent federal funding, that would free up some state money to be leveraged for state roads.

MR. VIGUE responded that would be possible.

CHAIR EGAN asked how a community like Elfin Cove, Angoon or Tenakee fits in.

MR. VIGUE asked him to hold on to that question while he explained the allocation for STP. In the past these funds were received in one pot, and they could be allocated based on priorities. So, to answer his question there is a process to be followed in putting the STP together where their regional planners go out to the municipalities and the communities and ask for solicitation of project proposals. A village like Angoon would fill out a form for a project proposal and work with regional planners to make sure everything was correct; that project would get scored against other similar projects using a criterion that is set out in state regulation. The projects get ranked by score, and projects are selected based on the highest score and how much funding is available. That process is still in place; the only dilemma is that they have less money now because of the way MAP-21 is structured (less STP money available to fund those kinds of projects).

He explained that MAP-21 also takes away a provision that exempted Alaska and Hawaii from having to sub-allocate STP money by population. Now only 50 percent of the money is flexible for any area in the state and then four other pots of money are based on population. The funding categories are: for areas of population greater than 200,000 (Anchorage), for places greater than 5,000 but less than 200,000 (Fairbanks, Juneau, Soldotna, Ketchikan, Kodiak, Sitka and Palmer/Wasilla), and \$21 million for places less than 5,000 (a huge area of the state).

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CHAIR EGAN asked if Petersburg that has 2,000 residents, and Skagway and Tenakee with 100 residents would all be in the same pot.

MR. VIGUE answered yes.

MR. OTTESEN added that nearly 200,000 miles of state highway are in that same pot along with over half the bridges and many ferry terminals. So, it's a huge list of needs competing for hardly enough money to do two or three significant projects.

CHAIR EGAN asked if that was all because of the MAP-21 legislation.

MR. OTTESEN replied it is for two reasons: one is that it reduced the amount of money going to STP in general and because

it then further subdivided it by these population definitions which had never been in place before.

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CHAIR PEGGY WILSON asked if the feds do Anchorage Metropolitan Area Transportation System (AMATS) and Fairbanks Metropolitan Transportation System (FMATS) for towns with certain populations.

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MR. VIGUE responded that the federal legislation requires allowing large urban areas to form Metropolitan Planning Organizations (MPO) so Anchorage named itself AMATS and Fairbanks named itself FMATS. But in federal language Anchorage is a Transportation Management Area, which is like a metropolitan planning organization on steroids, and only FMATS is an official MPO. Previous authorizing language used populations of 50,000 or more. That is why Juneau with a population of 30,000 was turned down when it tried to form JMATS.

AMATS has been around for a while and FMATS was created after T-21 in the early 2000s. Federal law provides MPO funds for those organizations to do regional planning.

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REPRESENTATIVE FIEGE asked if the funding has fluctuated from less intensive management to more intensive management on the part of the feds or does MAP-21 represent an increasing willingness on the part of the federal government to micro manage how Alaska spends its highway dollars.

MR. VIGUE replied that he thought MAP-21 was a restating of the federal priority towards the NHS. He explained that the original concept of building the Interstate System was for national defense; so the National Highway Performance Program (NHPP) is designed to maintain the Interstate System, the NHS (which is supposed to be connecting the different modes of transportation), and the Strategic Highway Network (a national defense network for the Department of Defense). As they have shifted towards the NHS and safety, the change in funding can be seen. The feds also want more oversight and have increased the amount of data reporting required by the state.

REPRESENTATIVE FIEGE asked with less money coming from the feds in mind, if there is enough money in the state budget for the

state to backfill some areas that aren't getting as much federal funding because of the new allocation.

MR. OTTESEN answered that Commissioner Kemp said last week that their greatest challenge is dealing with the shortfall as it relates to STP funding to local governments. And the DOT doesn't have another source of money to turn to to solve that problem; that is the province of the legislature. They don't have a solution but wanted to bring it to their attention. The last STP was so different that the state did not call communities for nominations because it didn't have the financial capacity to do justice to them.

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SENATOR FAIRCLOUGH asked if there are more than two MPOs and if the MatSu qualified under the previous criterion.

MR. OTTESEN answered no and explained that the Census Bureau determines whether or not there are new MPOs when it does its 10-year census. It's a function of two numbers: one is population and the other is density, and MatSu does exceed 50,000, but they don't have the density needed to qualify. They probably will after the 2020 census.

SENATOR FAIRCLOUGH said there is no new money for MPOs; the State of Alaska is given a sum and a percentage goes to the MPOs.

MR. OTTESEN answered that was correct and explained that the slice on the chart for places between 5,000 and 200,000 is a little under \$16 million and half of that goes to Fairbanks, because they are an MPO. The other communities on the list are basically competing for that money through the STP process. Simple math indicates there is less than \$1 million per community per year, and many of those communities are used to getting \$6 to \$8 million a year out of the STP.

SENATOR FAIRCLOUGH said her point was that our country is \$16 trillion in debt and that has to be made up somewhere and that is going to be through making some hard decisions.

CHAIR PEGGY WILSON said the FMATS and AMATS is not a separate pot of money that comes from the feds; the FMATS and AMATS comes off the top and what is left over is what gets divvied out to the rest of the communities.

MR. OTTESEN said that was correct.

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MR. VIGUE said the \$20 million sub-allocation is for AMATS, that is a federal calculation, not something that DOT did.

CHAIR PEGGY WILSON asked how much goes to Anchorage and Fairbanks.

MR. VIGUE replied that the \$20 million sub-allocation goes to Anchorage because it is the only community that qualifies with a population over 200,000. The only place that part of the federal highways money can be spent in Alaska is in the Anchorage area.

CHAIR PEGGY WILSON asked how much AMATS would normally get.

MR. OTTESEN replied that they were getting a little over \$30 million prior to this bill; now it's just over \$20 million. The emphasis changed from local needs to the NHS and to safety.

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CHAIR PEGGY WILSON asked if there is any possibility to exempt Hawaii and Alaska because they are such new states and hadn't gotten the help the older states got in their younger years.

MR. OTTESEN answered that people spending time in Washington, D.C., have said exemptions were being struck rather than being created and anything with Alaska in it was getting taken out.

REPRESENTATIVE ISAACSON asked him to discuss the \$47 million for any area of the state.

MR. OTTESEN answered that money right now is dedicated to three big needs:

1. The many required programs under the legislation like the nearly 1,000 bridges inspections that have to take place every other year. This STP funding is one of the big sources of how that work gets done. They also have to pay off GARVI bonds from 2002, and rather than taking it out of the smaller slices at the expense of the smaller communities it gets taken out of the statewide pot, which is for the common good. The data collection requirement under MAP-21 has gone up intensively, because it's a performance program. They have to collect data and have management systems. There really is no other place for those costs to be coming out of. Right now those funds are over-subscribed.

2. Bridges is a second thing and over 500 bridges in the state are unfunded except for the blue portion. They have been really putting an emphasis on bridges for almost a decade; we're making progress, and the NHS is in pretty good shape, but you can work really hard and still go backwards. Last year 9 bridges were taken off the deficient list but 14 were added.

3. Finally, there are 1,600 miles of state highway that are not NHS, but they are still important and serve all corners of the state.

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MR. VIGUE said another new program in MAP-21 that evolved out of the ashes of some previous programs is the Transportation Alternatives Program. It basically takes the Transportation Enhancements Program, which has been in federal legislation since the early 1990s - the Scenic Byways Program, the Safe Routes to School Program (new with SAFETY-LU) and the Recreational Trails Program - and merged them all together into this Transportation Alternatives Program. The one thing that is different about this is that the Recreational Trails Program gets an automatic allocation at the '09 level; and that program is managed by the Department of Natural Resources (DNR) in Alaska.

He explained that the Transportation Alternatives funding comes to the state in a very similar way the Surface Transportation Program (STP) funds come and that is through sub-allocation by population.

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REPRESENTATIVE ISAACSON said he sat on the North Richardson Scenic Byways Advisory Board and asked if there is dedicated money for scenic byways that could make improvements for things such as restrooms and pullouts.

MR. VIGUE answered in the past there was a small dedicated pot of money that was competed for nationally. So, every year someone on their staff would solicit nominations from the Scenic Byways Committees, score them and send them to FHW Headquarters in D.C. that would determine which projects had the highest rating and would get funded. Alaska has had success with that program seeing anywhere from 2 to 6 discretionary grants. MAP-21 eliminated that program as well as the federally funded clearing house that was based in Duluth, Minnesota, that had resource people on hand to help byway committees develop their vision for the corridor. Certain aspects of the Scenic Byway Program are

eligible under the Transportation Alternatives Program, but it has such a small amount of money and some odd rules. First is the sub-allocation by population, and they also have something called a definition of "eligible entities," and the states and MPOs are not eligible, meaning that the state and the MPO cannot sponsor a project for any of these programs whether it's a bike/ped facility or a safe routes to school-type project. He said they are still trying to understand how this program is going to be managed. AMATS is going to get \$775,000 and you can't build a lot of sidewalk with that. Places with populations of less than 5,000, a huge portion of the state, get \$814,000. The previous programs provided more flexibility to use the funds and get projects built.

REPRESENTATIVE ISAACSON asked if any specific projects are being threatened.

MR. VIGUE answered that they are still trying to figure that out. Some of the projects are still moving forward because they have some old Transportation Enhancement (TE) funds.

REPRESENTATIVE ISAACSON asked if projects in the pipeline could be completed.

MR. VIGUE answered yes.

CHAIR PEGGY WILSON asked him to share that information with the chairs as he finds it out.

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SENATOR DYSON said it would be valuable for him to know how much is spent on transportation in each area juxtaposed against the population. Some areas spend more on ferries, breakwaters and docks and he wasn't sure how much GF money is spent in those districts or how they could be distinguished. However, they should be operating from criteria based on need with safety coming first.

MR. OTTESEN said they have three or four excellent data bases on the condition and the use of our system. They know where the crashes occur, their severity and causes. The same is true of traffic volumes, average speeds and a count and type of vehicles. They know the conditions of the bridges and pavements. They use that type of data to identify projects, and it's not always mindful of which district gets the most money that year, but it is the rational approach for something as important as a highway system, which is where the economy happens.

He said the department keeps track of election districts, but unfortunately those are transitory and change shape and number. Right now they are starting to geocode projects and the beauty of a GIS location is that you can change districts all you want, but the work will still be revealed going forward. However that would be hard to do in retrospect.

MR. VIGUE said they could look at some of the websites in Ms. Rice's presentation, because a lot of project information is out there.

SENATOR DYSON said it would be useful to know how much capital money had been spent in each area and what is being spent per capita in each area for routine maintenance.

CHAIR PEGGY WILSON said it's obvious that the state is going to get less and less money from the feds and asked if there is any way to connect with another department, like DNR, or when they talk about roads to resources, because if we don't have roads to resources we won't be able to develop some areas to get more money coming in.

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MR. OTTESEN said the short answer is they are looking at a private partnership tool in concert with AIDEA known as 3P, that essentially lets the resource owners help to pay for these roads and other access facilities, whether it be a harbor or some other feature. They don't have to put the money up front, but it is an operating expense at a time of revenue, which is what they prefer, rather than a capital expense years prior to revenue. It's a good partnership, and the money is essentially off the state books; it doesn't have to come at the expense of education and roads and all the other things the legislature struggles to find funding for.

MR. VIGUE said slide 15 showed the previous funding for ferries; it received the \$10 million set-aside plus the ability to compete in the discretionary program, both of which have gone away and been replaced under MAP-21 with \$67 million to be used nationally for ferry service that has a formula for preference; 45 percent of the funds are based on the number of vehicles carried, 35 percent of the allocation is based on the number of route miles and 20 percent is based on the number of passengers. They haven't heard from federal highways how that calculation would work for Alaska, but 35 percent allocated by route miles should serve us well.

He said that MAP-21 eliminated the Forest Highway Program and Shakwak funding (the money that the Federal Highway Administration provided directly to the Yukon government to maintain the Haines and Alaska Highways). He explained that the Forest Highway Program that was previously dedicated to the Tongass and Chugach National Forests was replaced by a smaller program that is open to all federal land management agencies.

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Alaska used to get \$9 million administered by the Western Federal Lands Office in Vancouver, Washington, with input from Alaska and the Forest Service. That program has changed to be something called the Federal Land Access Program and instead of \$9 million it's \$7 million; and instead of just being the Forest Service it's all federal land management agencies - BLM, Fish and Wildlife Service, National Park Service, and Forest Service - all have the ability to compete for that \$7 million.

CHAIR PEGGY WILSON asked if those are the funds that put paved roads on Prince of Wales (POW).

MR. OTTESEN replied yes, as well as on many other areas of Southeast and the Chugach. But the Prince of Wales road system owes its existence to the program, and its demise is unfortunate.

CHAIR EGAN asked if places like Gustavus and Denali will be competing for this money.

MR. OTTESEN answered yes and they have already seen a lot of interest. He explained that his first call for projects will occur in a month or two. A three-member board makes the decisions; one member is from the Forest Highway group in Vancouver, Washington, himself and Cathy Wasserman, representing local governments for Alaska. So, two Alaskans are on the committee. Communities can nominate projects, too; he already feels a tension between the federal agencies and local needs.

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MR. VIGUE said they see a similar trend developing in terms of providing more information to Federal Highways under MAP-21. The state will have to collect more data and provide a significant number of NHS performance measures. It should begin soon and will include pavement, bridge condition, safety (fatalities and serious injury crashes), freight mobility and congestion. By the time MAP-21 expires they will know what all of them are. So one

way to look at MAP-21 is that it is the blueprint for what they think they are going to do next time - and hopefully next time the the funding scenario will be figured out and the states get a five or six year bill instead of the two-year bill.

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SENATOR BISHOP asked if more federal reporting will "get us any more lane miles" and commented that "at the end of the day they will dream up another new mix design so every heavy highway contractor in Alaska has to buy a whole crushing spread."

MR. VIGUE explained that the feds will set national performance measures and then the state will have the flexibility to set the target that they are going to try to reach. But if we don't meet those targets there are penalties. For instance, the one performance measure they know of has to do with the percentage of bridge deck that is on structurally deficient bridges. Right now that is set at 10 percent. If more than 10 percent of the total bridge deck on the NHS is on structurally deficient bridges, then they force you to take some of your NHS money and put it on NHS bridges. And if you still don't meet it, there's a further penalty which could raise the match requirements (currently at 90/10) by as much as 40 percent.

MR. VIGUE said MAP-21 also included some streamlining efforts that will hopefully enable the department to deliver projects faster. The most intriguing ones are the environmental streamlining provisions, one of which is that we should be able to use categorical exclusions more often than doing environmental impact statements, because they are the simplest fastest processes available.

He said another goal of MAP-21 was to streamline the process of managing the program. There used to be over 80 funding pots and now they are down to the 30s. Other funding categories in MAP-21 are CMAQ (congestion, mitigation, air quality), which increased slightly overall; Fairbanks gets a fair amount of this money to try to address its air quality issues. Highway safety projects are being well-funded and the state gets about \$26 million in Highway Safety Improvement Program and another \$1.1 million to take care of rail highway crossings, put up signals and lights and fix the surface so it's not so rough to cross, and the \$21.1 million of hazard elimination (the sanction money that goes to the safety program, because Alaska doesn't have a repeat offender and an open container law). So, Alaska will have a substantial safety program over the next few years. Urban

planning funds are provided to the two MPOs and they had a slight increase.

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MR. VIGUE said overall they think federal funding remains consistent with the SAFETY-LU average. It's not in the same spendable categories, but it has been shifted around and focused on NHS and safety. It's about the same amount of money, but fewer funding categories that are more restrictive. They reduced Surface Transportation Program (STP) funding and sub-allocated it by population. It will be necessary to use a lot of the STP funding on bridges where there is no longer a dedicated bridge program. With the NHS focus, there is less funding available for lower class roads, which includes the Alaska Highway System. Safety funding is significantly increased, and the Transportation Alternatives Program has significant challenges; they are still waiting to hear what the performance measures are. The feds have also required a transportation asset management system, which will feed into the performance measures, and the department is actively working to put that together.

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REPRESENTATIVE ISAACSON said he was concerned about the loss of Alaska Highway money and asked if he had talked to his counterparts in Canada to see what their plans are for maintaining those Shakwak roads.

MR. VIGUE answered that he had met with counterparts at Yukon DOT and they were very disappointed that the funding is no longer available, but he wasn't sure what their plans were. A meeting was set up with them next week. They were very involved in the debate on MAP-21 in Washington, D.C. to try to protect that funding.

CHAIR EGAN asked him to keep the committee informed on that status.

SENATOR DYSON added that some Canadian members of Parliament were here today and that the Yukon Territory was concerned because it has less than 30,000 people. That highway was built during the war to have a land-based route; it is a huge safety issue "like suspenders" for Alaska. But for the Yukon it's a huge asset, and they don't have the kind of resources that other places have to do it. That highway runs through some very mineralized areas, and without the transportation links they don't work.

CHAIR EGAN said it's shameful that so much money had been spent improving the Alaska Highway over the last decades and now we're going to let it deteriorate again. It doesn't make sense. He thanked them for their presentation and invited Mr. Walsh to present Roads to Resources.

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MURRAY WALSH, Special Assistant to the Commissioner and Manager, Road to Resources, Department of Transportation and Public Facilities (DOTPF), said the roads to resources initiative began during the Murkowski administration as a way to focus attention on resource development and one of its most crucial needs, surface access.

He said these funds had previously been used on smaller projects that were affordable by the state, but now that is being expanded to larger projects that would help fill the TAPS, create jobs, and increase commerce.

Their guideline is if DOT does the initial permitting and environmental work, an inexpensive road could be built to some remote location to make a mining project possible. Then they would develop a long-range public private partnership with the developer, miner or petroleum developer, who would pay for the road in the long term, the final road being paid for by the beneficiary.

MR. WALSH said once the road is there it can be improved as other beneficiaries come along and as traffic and development make it possible. If there are lots of beneficiaries like on the Klondike Highway, tolls can be charged to industrial users, particularly those who drive overweight rigs. Last year four projects were authorized in the 2013 budget:

1. A 100-mile road connecting the Dalton Hwy to Umiat, a petroleum play that Link is looking to explore this winter.
2. A 200-mile road to the Ambler mining district also to be paved by their end user beneficiaries using the concept of: "We light the fuse, they make it go." He explained that the Alaska Industrial Development and Export Authority (AIDEA) who would raise the money to build the road so that the payoff could occur when the mines or the petroleum are in a revenue status.
3. A shorter Tanana road that would bring surface access to the river's width; the Tanana residents are already benefiting from the clearing of the road that was done last summer.
4. Replacing a bridge on the Klondike to make it serviceable for the large overweight rigs.

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MR. WALSH said the legislature added a lot to the 2013 capital budget, but the 2014 capital budget request was much more modest. It was just more money to get the Ambler access project into the full-on environmental review process and to help upgrade the Dalton Highway for the rigors it will be enduring in the next few years, specifically using a Dalton Highway traffic forecast that added up the projected traffic for all of the different companies who are planning to do things on the North Slope.

He said the Umiat area is petroleum rich and is thought to have millions of barrels of oil and trillions of cubic feet of gas. The road they would build there would be a basic 18 ft. wide gravel road that would cost \$200 to \$300 million. That is money that the state cannot get from the federal government and would have a hard time putting up itself. But that money can be raised by selling bonds through AIDEA and having those bonds be paid off by the benefiting companies. The Corps of Engineers will be leading the way; they control the schedule for how fast things happen under the National Environmental Policy Act Program. You have to have a Record of Decision (ROD) in hand before actually starting to build a project and they hope to start that one in 2015.

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He said the Ambler mining district is mineral rich, copper being one of the most important finds up there. There are 300 direct jobs for just one of the mines that could be developed at Novacopper, a spinoff of NovaGold. He said this is an important partnership in Alaska's development, because if the state doesn't build the road the mine won't happen. While they are looking at alternative routes, the one they use will probably be the shortest one from the Dalton through the Gates of the Arctic National Park.

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MR. WALSH said the road to Tanana is much shorter, 26 miles, and serious construction will be started in 2013. It is another very basic road that will enable passage by most vehicles. There is lots of mining potential in the area plus lots of benefits to the people of Tanana, and they are quite enthusiastic about it.

The Yukon Territory has a lot of mining activity brewing, he reported, and if those are going to be developed they need a road to get the product out. And barring some kind of change in

railroad policy expanding into the Yukon, it will be on our roads. The Klondike and probably the Haines Highway would be called in to serve in this way. This could mean some policy development as far as special revenues and how to come to grips with these giant 12-axle, 200,000-pound road trains. There are about 60 mines brewing in the Yukon; 3 are in production right now delivering overweight rigs to ship-loading facilities in Skagway; dozens more are in the development stage and every one of them represents significant amounts of exploration and development money. The mining business is big in the Yukon and it is getting big in British Columbia and in Alaska. So we have a lot of interaction.

Other projects are:

- West Susitna Access Reconnaissance Report that documents the various mining, timber and resource opportunities there. He said if there is a reason to build a bridge across the Susitna River, they would look for a place to do that.
- Niblack Mine Access-Prince of Wales could benefit from improved marine access
- Bokan Mountain Mine Access-Prince of Wales could also benefit from improved marine access
- Totchaket Road-Nenana-a 400 ft. bridge
- Granduc Mine-Hyder Salmon Rd. (Cu) road upgrade, possible IUH
- Petersburg-Kake road-\$40,000,000 in FY2013 budget, NEPA underway
- LiDAR mapping project-\$5 million in FY2013
- Katlian Valley Access (quarry)- Sitka \$14 million 2012 bond

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REPRESENTATIVE FIEGE asked if the Umiat road is going to be a public private partnership, wouldn't cost be a factor.

MR. WALSH answered yes; certainly the beneficiary has to agree with the final selection.

CHAIR EGAN thanked Mr. Walsh for his presentation and said he would be invited back again.

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Finding no further business to come before the committee Chair Egan adjourned the Joint Senate and House Transportation Committee meeting at 3:03 p.m.