

ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE

February 19, 2015
1:03 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Shelley Hughes, Co-Chair
Representative Louise Stutes
Representative Matt Claman
Representative Dan Ortiz

MEMBERS ABSENT

Representative Charisse Millett
Representative Benjamin Nageak

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

Department of Transportation & Public Facilities, Commissioner

Marc Luiken - Anchorage

CONFIRMATION(S) ADVANCED

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MARC LUIKEN, Commissioner Designee
Department of Transportation & Public Facilities (DOT&PF)
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during his confirmation hearing as appointed commissioner to the Department of Transportation & Public Facilities (DOT&PF).

ACTION NARRATIVE

[1:03:13 PM](#)

CO-CHAIR SHELLEY HUGHES called the House Transportation Standing Committee meeting to order at 1:03 p.m. Representatives Claman, Ortiz, Foster, and Hughes were present at the call to order. Representatives Stutes arrived as the meeting was in progress.

[1:03:31 PM](#)

CO-CHAIR HUGHES announced that the only order of business would be the confirmation hearing for Marc Luiken, Commissioner, Department of Transportation & Public Facilities (DOT&PF).

[1:04:06 PM](#)

MARC LUIKEN, Commissioner Designee, Department of Transportation & Public Facilities (DOT&PF), said he is honored to be selected to serve as commissioner of the Department of Transportation & Public Facilities (DOT&PF). He stated his focus as commissioner will be to organize the department to meet the budget challenges that Alaska and the DOT&PF currently face. He said he intends to accomplish this by consolidating where possible and creating efficiencies throughout the department.

COMMISSIONER LUIKEN stated that a \$3.5 billion deficit demands that state government operate differently in the future. Any change that is made now must be sustainable. That being said, the DOT&PF will strive to maintain the core services that are vital to Alaskans every day.

[1:05:26 PM](#)

COMMISSIONER LUIKEN reported that for FY 16 the Department of Transportation & Public Facilities (DOT&PF) must reduce its operating budget by \$12 million, which will equate to approximately a 4 percent reduction from the prior fiscal year. These reductions will eliminate 9 full-time, 3 part-time, and 4 non-permanent positions. He assured members that his staff has done their best to spread these reductions across the department so that no one area of service is significantly affected more than another.

COMMISSIONER LUIKEN related that during this period of fiscal uncertainty, it is ever more important to foster better communication with the DOT&PF's stakeholders. This includes how DOT&PF's staff communicates with the legislature, enhancing how the department involves and communicates with the public and cultivating better communications with staff across the state.

Improving communications doesn't mean that the DOT&PF is better at explaining what it can and cannot do, but it does mean that DOT&PF's staff must be better listeners. Stakeholders provide a wealth of knowledge and experience that can benefit the department. Every citizen has the potential to add value to project design and delivery. He recognized that much can be gained by improving upon the way DOT&PF involves Alaskans in the decision-making process, and it must engage the public in a customer-client focused manner. Under his direction the department will also explore new revenue generating opportunities, for example, instituting a 4.5 percent increase in fares to the Alaska Marine Highway System (AMHS) beginning in May. The department also plans to introduce landing fees at Deadhorse Airport in FY 16 and by 2017 he estimated that the revenue generated from landing fees will offset the operating costs for the airport. He acknowledged that the Deadhorse Airport serves as one of the most important transportation hubs for the North Slope. He suggested that taking proactive steps to increase the department's revenue will help protect the core services the DOT&PF provides to Alaskans, which in turn will help create a more sustainable operating budget.

[1:07:36 PM](#)

COMMISSIONER LUIKEN said he begins his tenure by bringing back some familiar faces to the organizational leadership team, including that he has asked Steve Hatter to rejoin the department as deputy commissioner. He characterized Mr. Hatter as a very talented leader with a background similar to his. During his previous tenure as deputy commissioner, Mr. Hatter made outstanding progress in the aviation arena, for example, fostering an unprecedented 10 year user agreement with the air carriers at the AIAS [Alaska International Airport System]. In addition, he has also asked Mike Neussl to serve as the deputy commissioner for the Alaska Marine Highway System (AMHS). He stated that Mr. Neussl brings over 30 years of marine and leadership experience as a former US Coast Guard captain, with 12 years spent in Alaska. Finally, deputy commissioner John Binder will continue to oversee statewide aviation for the department, as well as having recently served in the role of Acting Commissioner for the Department of Transportation & Public Facilities (DOT&PF).

[1:08:56 PM](#)

COMMISSIONER LUIKEN highlighted that his first priority is to the organization. His vision as commissioner will focus on the

department's core mission and functions, including mobility, access, and commerce. As a department, the DOT&PF must continue to provide safe, environmentally responsible, and sustainable mobility for travelers. Further, the department must improve access and opportunity for individuals and businesses, as well as access to Alaska's vast resources. Finally, the DOT&PF must support commerce to help Alaska's economy grow, he said.

COMMISSIONER LUIKEN highlighted that his second priority will be to focus on the department's culture. He emphasized that the DOT&PF must become one department rather than three independent regions and although improvement has been made since 2012, there is still more to do. He said that the DOT&PF's service must reflect an attitude of responsibility and service to the public rather than arrogance and superiority. The DOT&PF will strive to provide continuous improvement, operating in a learning mode, and to ensure that these changes stick, the DOT&PF will regularly measure its performance and publish the results so Alaskans can hold the department accountable.

[1:10:07 PM](#)

COMMISSIONER LUIKEN offered that the DOT&PF must also become efficient with its most important resource: its people. The department stands to lose 30 percent of its staff, primarily due to an aging workforce. He indicated his desire to create an organization that people will want to be a part of - one that encourages growth, and recognizes and rewards collaboration and innovation. Further, he strives to build an organization that promotes integrity, transparency, and outstanding service, accountable to the legislature and to Alaskans. He acknowledged that he already has a professional and dedicated workforce who work to serve Alaska, but his goal is to give his employees the resources, training, and focus to be even better. Governor Walker said the fiscal challenges before the state present an opportunity to reset and reevaluate the proper and effective role for state government. He looks forward to taking on this challenge so the department may better serve Alaskans today and in the future, he said.

[1:11:25 PM](#)

CO-CHAIR HUGHES recalled that during his previous tenure as commissioner, he had worked to centralize the department to make it more functional. She related her understanding that he now has plans to continue that process. She asked him to elaborate on his specific plans to consolidate the department.

COMMISSIONER LUIKEN acknowledged that he made progress four years ago and since then the department has continued to make progress, but there is more to do. Yesterday he met with one division and discussed the need to have consistent standards throughout the state. He stressed the importance of the department to have consistent specifications, the same vision, and communicating the same response across the organization to consultants, contractors, and the public. He emphasized that his number one priority is to provide leadership and experience, which is what it will take to change the culture.

1:13:38 PM

CO-CHAIR HUGHES asked what his plans are during these lean fiscal times in terms of filling any vacancies. For example, as staff retires, she asked whether he will try to maintain services without filling these positions. She asked for further clarification on the percentage of staff that will be retiring in the next five years.

COMMISSIONER LUIKEN answered approximately 30 percent of his staff will retire in the next five years. How he will handle these vacancies will depend on the individual's role and function, and whether the position is in design and engineering or maintenance and operations. He envisioned the process of examining what roles to continue to fill will be an ongoing process over the next few years.

1:14:50 PM

CO-CHAIR HUGHES directed attention to the proposed 4.5 percent tariff increase for the Alaska Marine Highway System (AMHS) and instituting landing fees at Deadhorse. She asked whether other fee increases will be considered in this budget cycle, and if so, if he could inform the committee of any planned revenue increases. In addition, she recognized members of the Aviation Advisory Board (AAB) are present at today's hearing. She acknowledged the work the board has done to assist the AIAS in becoming self-sufficient. She asked whether the commissioner will use the AAB's expertise when considering landing fees or other ways to increase revenue without adversely impacting the business industry.

COMMISSIONER LUIKEN reported that he recently informed the AAB that he will not make decisions without consulting with the governor's advisory boards, whether it is the Marine

Transportation Advisory Board (MTAB) or the Aviation Advisory Board (AAB) since the department needs their expertise and input. He assured members that unilateral decisions won't be made.

1:16:50 PM

REPRESENTATIVE ORTIZ, with respect to new opportunities to generate revenue, asked whether the department has considered highway tolls.

COMMISSIONER LUIKEN answered yes; that the department currently charges tolls on the Klondike Highway, such that ore trucks pay tolls to run heavier loads and in turn these toll fees are used for maintenance to keep the roadway safe. He agreed that the department will consider opening up other industrial roads.

1:18:15 PM

REPRESENTATIVE ORTIZ asked whether additional tolls will be considered for industry rather than for the general public.

COMMISSIONER LUIKEN answered the starting point will be to consider industry fees, in fact, user fees are being enacted in Texas, California, Washington, and Oregon as a means to generate revenue to defray maintenance costs.

1:19:02 PM

REPRESENTATIVE STUTES understood the Alaska Class Ferries (ACFs) may have encountered a snafu since the design did not include berthing capabilities for crew. She asked for his approach to solve this situation.

COMMISSIONER LUIKEN answered that he did not consider this as a snafu, since the Alaska Class Ferries (ACFs) were intentionally designed to operate with a 12-hour day crew. He stated that if the option is to run the ACFs from Auke Bay [rather than Katzechin] it becomes somewhat problematic, since the roundtrip run from Auke Bay to Haines and on to Skagway cannot be accomplished in 12 hours. He directed attention to a response distributed to the committee today [e-mail of February 18, 2015 from Mike Lesmann, DOT&PF Commissioner's office], noting that the governor has asked the DOT&PF to provide costs for designing crew quarters and the department is currently investigating these costs.

[1:20:38 PM](#)

CO-CHAIR HUGHES related her understanding that if the Juneau Access Road Project (JA) is built, the berthing quarters will not be required. She asked for further clarification on the expected completion date for the two Alaska Class Ferries (ACFs).

COMMISSIONER LUIKEN said he was unsure, but he believes the first Alaska Class Ferry (ACF) completion date is scheduled for 2017 and the second one is scheduled to be completed in 2018.

[1:21:13 PM](#)

CO-CHAIR HUGHES asked for the completion date of the Alaska Class Ferries (ACFs) without crew quarters if the Juneau Access Road Project (JA) were to proceed on schedule.

COMMISSIONER LUIKEN said he was unsure, but he estimated the completion date would roughly be in 2017 or 2018. In response to a question on the added cost for crew quarters, he replied that the department is still investigating these costs.

[1:22:14 PM](#)

CO-CHAIR HUGHES pointed out that members of the House Finance Subcommittee received an explanation of the \$6.2 million in additional funding to be transferred from other parts of the DOT&PF to the Alaska Marine Highway System (AMHS). She asked him to address this.

COMMISSIONER LUIKEN answered that the AMHS's summer schedule was published in 2014, prior to oil prices falling and adversely impacting the state budget. In October the DOT&PF made a commitment to customers with ferry reservations based on the ferry schedules, so the department transferred funding to the AMHS to allow ferries to continue to run.

[1:23:49 PM](#)

CO-CHAIR HUGHES related her understanding that the AMHS's reservations involved approximately 5,600 passengers for about \$700,000 in fares and stateroom fees; however, dividing the \$6.2 million into the \$700,000 totals about \$125 per person. Therefore, in terms of the \$6.2 million, for every \$125 generated by customers, the department would be putting in \$1,000. She acknowledged subsequent reservations will be made,

but expressed concern about the subsidized cost since the aforementioned \$6.2 million will take service from other regions.

[1:24:48 PM](#)

CO-CHAIR FOSTER asked for further clarification on the amount of funding transferred from the other three regions. He asked for further clarification on whether it was \$3 million from the Northern Region, \$2 million from the Central Region, and \$1 million from the [SouthCoast] region. He further asked how these reductions will impact services in the Northern Region.

COMMISSIONER LUIKEN responded that the hardest hit will be airport and highways maintenance and operations (M&O) funds, which is primarily the bulk of the M&O funding.

[1:25:43 PM](#)

CO-CHAIR FOSTER said often the DOT&PF contracts with one person to keep a rural airport open. He asked him to specifically identify how the reductions to statewide airports would be applied.

COMMISSIONER LUIKEN answered likely it would come from commodities that are related to managing and maintaining the airports. In response to a question on where the Klondike Highway is located, he replied that the Klondike Highway comes out of Canada and drops down to Skagway.

[1:26:43 PM](#)

REPRESENTATIVE CLAMAN asked for the current timeline for the administration's decisions on the two major projects under the DOT&PF's jurisdiction: the Knik Arm Crossing (KAC) and the Juneau Access Road Project (JA).

COMMISSIONER LUIKEN anticipated a decision from the governor will be forthcoming granting authority to move forward with the [draft Supplemental] Environmental Impact Statement (EIS) for the Juneau Access Road Project (JA). He suggested the decision for the Knik Arm Crossing (KAC) will be made prior to the end of the legislative session.

REPRESENTATIVE CLAMAN asked for further clarification on whether the decision on the Knik Arm Crossing (KAC) will be for the EIS or whether to move forward with the project.

COMMISSIONER LUIKEN reported that the EIS for the Knik Arm Crossing (KAC) is completed, that the project is currently in the right-of-way phase. The decision will be whether to move forward to continue with the application for the TIFIA loan.

[1:28:09 PM](#)

REPRESENTATIVE CLAMAN, in terms of the Juneau Access Road Project (JA), asked whether the commissioner is recommending completing the [draft Supplemental] EIS, but to put off the decision to move forward on construction to a future date.

COMMISSIONER LUIKEN answered that his recommendation is to complete the [draft] Supplemental EIS for the Juneau Access Road Project (JA). At the end of that period, there will be a ROD with a preferred alternative. He said he recommends completing the process so the department has identified a preferred alternative and obtained a record of decision (ROD) from the Federal Highway Administration (FHWA).

[1:28:52 PM](#)

REPRESENTATIVE CLAMAN asked what year he entered the U.S. Air Force Academy.

COMMISSIONER LUIKEN answered in 1977.

[1:29:44 PM](#)

REPRESENTATIVE STUTES asked whether the funding has been secured for the [draft Supplemental] EIS for the Juneau Access Road Project (JA).

COMMISSIONER LUIKEN answered yes; that \$800,000 in funding was encumbered.

[1:30:14 PM](#)

REPRESENTATIVE ORTIZ, returning to the potential change order for the Alaska Class Ferries (ACFs). He related his understanding that the ACFs were designed to serve the Lynn Canal area. He asked whether it will provide more flexibility in the system if the change orders to add the berthing occur since these features will allow ferries to serve other locations.

COMMISSIONER LUIKEN answered yes.

[1:31:10 PM](#)

CO-CHAIR HUGHES asked whether the funds for the proposed crew quarters will come from capital funds slated for something else or if the governor will propose new general funds for the capital budget.

COMMISSIONER LUIKEN answered that it is too early in the process to have even broached the issue.

[1:31:49 PM](#)

CO-CHAIR HUGHES asked whether the department has been re-evaluating any other projects on the horizon besides the major projects [under Administrative Order 271].

COMMISSIONER LUIKEN reported that the department is currently at the beginning of the next four year Statewide Transportation Improvement Program (STIP) cycle so his intention will be to review all of the projects underway to consider which projects are valid and likely to move forward. He predicted that the number of projects that will not move forward is probably very small.

[1:32:50 PM](#)

REPRESENTATIVE STUTES asked whether the department has plans to update docks to accommodate the bow-loading ferries or if the current docks can accommodate the vessels.

COMMISSIONER LUIKEN replied that if the DOT&PF builds any new terminals, the facilities will be capable of accommodating bow-loading ferries, but the Alaska Class Ferries (ACFs) also have side doors, so modification of existing docks will not be necessary.

[1:33:55 PM](#)

CO-CHAIR HUGHES, after first determining no one wished to testify, closed public testimony on the confirmation hearing.

[1:34:15 PM](#)

CO-CHAIR HUGHES reminded members that signing the reports regarding appointments to boards, commissions, or as

commissioner in no way reflect individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

[1:34:39 PM](#)

CO-CHAIR HUGHES [briefly] adjourned the House Transportation Standing Committee at 1:35 p.m.

[1:36:26 PM](#)

CO-CHAIR HUGHES reconvened the meeting for the purpose of addressing a technicality with respect to the committee report.

[1:36:41 PM](#)

CO-CHAIR FOSTER moved to advance the confirmation of Marc Luiken, as commissioner designee for the Department of Transportation & Public Facilities to a joint session of the House and Senate for consideration. There being no objection, the confirmation was advanced.

[1:37:20 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 1:37 p.m.