

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 5, 2015

1:03 p.m.

MEMBERS PRESENT

Representative Shelley Hughes, Co-Chair
Representative Benjamin Nageak (via teleconference)

MEMBERS ABSENT

Representative Neal Foster, Co-Chair
Representative Charisse Millett
Representative Louise Stutes
Representative Matt Claman
Representative Dan Ortiz

COMMITTEE CALENDAR

OVERVIEW: STATEWIDE TRANSPORTATION INFRASTRUCTURE PROGRAM BY
JEFF OTTESEN~ DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
(DOT&PF)

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Testified and answered questions during the
overview of the Statewide Transportation Improvement Program
(STIP).

GINGER BLAISDELL, Staff
Representative Shelley Hughes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of the
Statewide Transportation Improvement Program (STIP).

ACTION NARRATIVE

[1:03:24 PM](#)

CO-CHAIR SHELLEY HUGHES called the House Transportation Standing Committee meeting to order at 1:03 p.m. Representatives Nageak (via teleconference) and Hughes were present at the call to order.

**OVERVIEW: STATEWIDE TRANSPORTATION INFRASTRUCTURE PROGRAM BY
JEFF OTTESEN, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES
(DOT&PF)**

[1:03:43 PM](#)

CHAIR HUGHES announced that the only order of business would be an Overview: Statewide Transportation Infrastructure Program by Jeff Ottesen, Department of Transportation & Public Facilities (DOT&PF).

[1:05:35 PM](#)

JEFF OTTESEN, Director, Division of Program Development, Department of Transportation & Public Facilities (DOT&PF), offered to provide details on the Statewide Transportation Infrastructure Program (STIP), which is the document the DOT&PF uses to obtain federal surface transportation funding. Some amendments to this 100-year old program were 2,000 pages in length, with general rules and exceptions to each amendment. He reported that due to the complexity of the federal highway funding, software doesn't exist that will integrate with the state's IRIS [Integrated Resource Information System] program.

[1:07:22 PM](#)

MR. OTTESEN directed attention to slide 2, "Outline," which covered today's overview of the general STIP mechanics and project selection factors. Basically, the Statewide Transportation Improvement Program (STIP) constitutes the federal law and regulation covering the transportation funding. States are required to prepare documents that must be approved by two federal agencies in order to expend federal funding, the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA), but The STIP may also include state-funded projects, especially projects of regional significance [slide 3]. For example, if the state decided to build the Knik Arm

Crossing project (KAC) with non-federal funds, it is such a significant project that it would need to be shown in the STIP.

1:08:50 PM

MR. OTTESEN said fiscal constraint was one rule with greater implication for the DOT&PF, since the STIP document must be programmed to spend an expected funding level in the year covered [slide 4]. The difficulty lies in the uncertainty of federal funding since the Congress doesn't act on future years nor has it even finalized the current year's funding, he said. At the same time, the state must manage a list of up to 200 projects in various stages of development, consisting of unknown costs since the DOT&PF projects cost estimates. The design process results in new information regarding right-of-way and environmental conditions. As issues arise and overall project costs change, or federal funding changes, the four-year STIP document "gets out of balance," is no longer fiscally-constrained, and must be readjusted.

1:10:46 PM

MR. OTTESEN stated that the DOT&PF adheres to a strict public involvement process and has developed procedures to inform the public on changes to the STIP, which include how long to public notice projects and whether the notice requires newspaper notices or a broadcast e-mail. He identified two classes of changes to the four-year STIP document: amendments, which consist of more significant changes and require a public involvement process; and administrative modifications, which address minor changes that only require notifying federal agencies [slide 4].

1:11:37 PM

CHAIR HUGHES asked for confirmation on whether the STIP amendment required public comment.

MR. OTTESEN answered absolutely.

1:11:44 PM

MR. OTTESEN stated that the STIP includes different categories of funding, each with unique eligibility requirements [slide 4]. Some require different levels of matching funds. Previously some federal funds could be carried beyond the immediate fiscal

year, but that is no longer allowed, which means the DOT&PF can't shelve that funding for future years.

[1:12:34 PM](#)

MR. OTTESEN directed attention to the project selection factors for STIP projects [slide 5], and indicated a significant number of rules in federal and state law apply to the STIP. The National Highway System (NHS) in Alaska covers 2,000 miles of high-level state highways in Alaska. Since local government doesn't compete for the funding, the DOT&PF selects the NHS projects using overall system plans, which are governed by state and federal law and performance data, such as the condition of pavement, bridges, and the pattern and causes of crashes.

MR. OTTESEN said the overall emphasis of the NHS project selection was on safety and serving capacity. It's fair to say that Alaska's Surface Transportation System (STS) has been an important contributor to the economy, in fact, about 80 percent of the surface freight continues to be transported on the STS roads. Finally, continuity plays an important part since Alaska has a sparse network of roads, which often means that if an avalanche occurs or a bridge goes out, there isn't any alternative route. More avalanches are occurring and a number of bridges need replacement, he said, recalling that an avalanche cut off service to Valdez two years ago.

[1:15:28 PM](#)

CO-CHAIR HUGHES asked how many more landslides are occurring now as compared to 10 or 15 years ago.

MR. OTTESEN offered to provide the information. He noted that the department has begun to categorize avalanche hazards, noting small landslides often occur due to weather and are typically easy to clear, but others, such as landslides on the Sterling Highway are due to erosion of the bluff overlooking Cook Inlet, which undercuts the road and will require a complete rerouting of the highway at some point in the future.

[1:17:06 PM](#)

MR. OTTESEN highlighted a special category of funding in the STIP that addresses safety, the [Highway Safety Improvement Program (HSIP)], which has nearly tripled in the current federal reauthorization [slide 5]. In fact, it has changed the nature of the kinds of projects that are pursued. In prior years,

safety projects were often small, targeted projects, such as projects for adding turning lanes, reflectors, or guardrail installations of roughly \$1-2 million each, totaling \$17 million statewide. However, when federal highway safety funding tripled, the department had to develop larger projects since the DOT&PF couldn't produce enough small projects to expend the funds. He remarked that highway safety projects make meaningful changes, such as adding lanes to the Parks, Sterling, and Seward Highways, as well as widening shoulders, and constructing roundabouts in various areas of the state. In fact, this summer the DOT&PF will change two rail/highway crossings from at-grade to grade-separated, and thus school buses and fuel trucks will no longer need to stop. In response to a question, he said these rail/highway crossing projects are located on the Parks Highway outbound of Houston, Alaska.

CO-CHAIR HUGHES asked whether the highway safety funds can be used for lighting, commenting the lighting changes on the Glenn Highway were very helpful.

MR. OTTESEN answered yes. He pointed out that new lighting on the Egan Expressway was accomplished using Highway Safety Improvement Program (HSIP) funds. He said the lighting on the Glenn Highway was primarily funded through stimulus funding [American Recovery and Reinvestment Act of 2009 (ARRA)], although this project would have been eligible for federal highway safety funding. The department's only concern with lighting has been the immediate increase in operating costs due to the electricity required; however, the tradeoff is improved safety, but it is a matter of policy.

[1:20:08 PM](#)

MR. OTTESEN highlighted that one focus of highway safety funding is for use in areas of demonstrated injuries and fatalities. Although people ask why the department is not proactive in addressing safety issues, the department currently works to address existing problems, and hopes to be more proactive once it addresses them. Certainly, this program can have a positive benefit to cost ratio for any investments made. In fact, the DOT&PF measures the reduction in fatalities and major injuries attributed to highway safety improvements.

MR. OTTESEN directed attention to the Surface Transportation Program funding (STP), which is scored. The state shares that funding with municipalities and tribes. Further, that funding is sub-allocated to MPOs - the federal term for Metropolitan

Planning Organizations - which are essentially the decision-making bodies for larger cities and their use of federal funding. He explained that Alaska has two, one in Fairbanks, FMATS [FMATS Fairbanks Metropolitan Area Transportation System]; and the second in Anchorage, AMATS [Anchorage Metropolitan Area Transportation Solutions]. These MPOs are not strictly municipal organizations, but are collaborative in nature and include state and municipal representation. In the Lower 48, some transit organizations are operated by cities by a separate transit authority, with the transit authority having a voting membership. For example, if the Knik Arm Crossing was built as a separate toll road authority, it would have been a logical addition to the AMATS board. He reported there are 450 MPOs in the Lower 48, with many MPOs crossing state boundaries, which means more than one legislature and governor are involved in the decisions. He recalled that Portland, Oregon has been involved in rebuilding the bridge across the Columbia River on Interstate 5. The new governor in Washington State decided not to fund its share of the bridge, which halted the project.

[1:23:43 PM](#)

MR. OTTESEN stated that FMATS and AMATS both receive sub-allocated funding and these MPOs make decisions on state or municipal roads; however, the DOT&PF does have one vote on these boards. Further, the state legislature doesn't have authority over federal MPO funding, which falls exclusively to the MPOs, he said. Although the remaining STP funding is available to any other road in the state not on the NHS, this funding has shrunk in the federal funding stream since the Congress has changed its priority, which has created a tremendous backlog of projects. The department has been unable to bring on new projects, which has been frustrating to many communities, he said.

[1:25:08 PM](#)

CO-CHAIR HUGHES asked for clarification on the scoring process for STP funding. She asked whether the AMATS performs all of the scoring within the Municipality of Anchorage or if the state helps score the projects. She further asked whether the state's participation in scoring falls outside FMATS and AMATS.

MR. OTTESEN answered that it gets a little technical since the AMATS and FMATS boundaries do not include the entire borough or municipality, just the urban portions. Thus in Anchorage it includes Eagle River to the Knik Bridge and the Mat-Su boundary.

However, in the southern direction, it stops near Potter's Marsh so Girdwood does not fall under the AMATS domain.

CO-CHAIR HUGHES asked whether the state does the scoring for Potter's Marsh.

MR. OTTESEN answered that Seward is an NHS route, but the state has dominion on NHS decisions, even inside the MPOs. Although it is supposed to be a collaborative decision inside the MPO, the state still holds the primary decision-making power; however, on all other roads within the MPO boundary, the Anchorage Metropolitan Area Transportation Solution's (AMATS) board has the primary decision-making power. He characterized it as being a hybrid-model of decision making depending on the class of road.

[1:26:38 PM](#)

CO-CHAIR HUGHES asked whether AMATS solely scores the non-NHS roads within the MPO.

MR. OTTESEN replied that the DOT&PF has one vote. In further response, he clarified the two MPO acronyms stand for Fairbanks Metropolitan Area Transportation System [FMATS] and Anchorage Metropolitan Area Transportation Solutions [AMATS].

[1:27:34 PM](#)

MR. OTTESEN directed attention to the process for the project selection factors depicted on slide 6, beginning with law - both federal and state law - that drives the requirement for the Statewide Long Range Transportation Plan (SLRTP). The SLRTP represents one of the prerequisites for selecting transportation projects, he said. Both federal and state law require a planning document, either a Statewide Transportation Improvement Program (STIP) or something similar. He pointed out that in Alaska it is referred to as a capital budget list, but practically speaking it is the same thing. This document helps the department decide which of the projects ready to be funded need legislative authority to use federal funds. Under the process, the department requests legislative authority to use federal funds on the most immediate projects in the next fiscal year. When all those steps for those projects are completed, the DOT&PF can then move them into project development, which is the point at which design, environmental, and ultimately, the construction process occurs, he said.

1:28:32 PM

MR. OTTESEN directed attention to the Federal Highway Administration (FHWA) program overview that illustrated the steady federal funding, with few exceptions [slide 7]. In 2009, the state received a large spike of funding, depicted in purple on slide 7, in which the state received \$175 million in stimulus funding [American Recovery and Reinvestment Act of 2009 (ARRA)]. In 2005-2012, the red bars show earmarked federal funding, which was funding identified by the Congress for specific projects. He explained that the Congress stopped earmarking so almost all the funding is for the core program, which is depicted by the blue bars in each year. He reported the three biggest programs in the state's core program: the National Highway System (NHS), the Surface Transportation Program (STP), and Highway Safety Improvement Program (HSIP). The average core program funding has been running approximately \$500 million per year over the past 10 years, he said.

MR. OTTESEN said the bar chart doesn't include any repurposed earmarks or funds or funds captured from other states, or funds that have carried over from prior years, so the program can actually be larger than shown on slide 7.

1:30:38 PM

MR. OTTESEN directed attention to MAP-21 [Moving Ahead for Progress in the 21st Century], the most recent federal authorization that passed late in 2012 [slide 8]. He reported that MAP-21 increased the emphasis on the National Highway System (NHS), as well as the number of road miles for the NHS. In Alaska, every road considered to be a primary arterial that was not previously categorized as the NHS, became an NHS route, such that about 85 of 90 miles additional NHS road miles were added in the Matanuska-Susitna Borough (MSB) and Anchorage.

1:31:43 PM

CO-CHAIR HUGHES asked for examples of some of the roads that were added in the Matanuska-Susitna Borough (MSB), Anchorage, and Juneau.

MR. OTTESEN answered that Knik-Goose Bay Road and the Palmer-Wasilla Highway were the two main roads in the MSB, several of the roads in the arterial grid in Anchorage - typically those with stop lights - not previously on the NHS, and in Juneau

approximately one-tenth of a mile from Glacier Highway to the bridge at the existing ferry terminal.

1:32:46 PM

MR. OTTESEN said that under the new MAP-21 reauthorization, Highway Safety Improvement Program (HSIP) funding almost tripled, as previously mentioned, but it must be used in areas in which the department has a demonstrated safety concern based on crash report records [slide 8]. He identified the biggest shift in emphasis in MAP-21 was the idea of performance standards, which will apply to the NHS routes. Thus the state will essentially be receiving a report card, which will focus on pavement conditions, bridges, and safety conditions. If the state doesn't meet the standards set out in rulemaking, the state will first need to direct more money to the problems to attempt to remedy them. Over time, if the problems are not remedied, the Federal Highway Administration (FHWA) will increase the required state match ratio. He explained that nominally the match formula was typically 20 percent state to 80 percent federal funds. Alaska and several other states with a high land base of federal lands were given a discount on match based on the percentage of federal lands in each state. Thus Alaska's discount reduced the match ratio from 20 percent to slightly more than 9 percent. He expressed concern that if the percentage of match was increased, the nominal rate nationwide would go from 20 to 35 percent, although Alaska's rate would be discounted due to the federal lands in Alaska. Still, he anticipated it could be a big increase, with Alaska's rate possibly increasing to the high teens, which could result in \$40-50 million in additional costs to the state.

1:35:49 PM

MR. OTTESEN stated that the bridge standard, which the Congress placed in law, does not allow more than 10 percent of the deck area on bridges on the NHS to fall below standard. Currently, 10 percent of DOT&PF bridges are below standard, but the DOT&PF has been working to improve the percentage.

CO-CHAIR HUGHES related her understanding that MAP 21 passed in 2012. She asked whether the state has received its first "report card" or if the first one will be forthcoming.

MR. OTTESEN answered it has not yet received a report card. The DOT&PF has been measuring bridge standards for decades so it knows the condition of the pavement, bridges, and safety

conditions. However, the department does not know the target it will need to meet since the federal rulemaking is underway, with some comment periods closed, although the final rule has not been issued. The department believes its safety record will be fine, since it is generally pretty good and has gotten better since 2007. In 2000, about 100 fatalities occurred, but the figures have been reduced to approximately 60 fatalities per year, in part due to air bags, anti-lock brakes, and other warning systems, as well as seat belt use improvements. In addition, the department has installed rumble strips, wider lanes, and roundabouts, that all help to reduce the severity of crashes. He stated that the DOT&PF has been doing significant work behind the scenes for performance standards.

[1:39:50 PM](#)

CO-CHAIR HUGHES asked how much time the state will have to provide data once rulemaking ends. She asked whether bridges were the biggest concern.

MR. OTTESEN offered his belief that the DOT&PF was close to meeting the bridge standards since significant work has been done. However, he identified pavement as the major problem. One of Alaska's disadvantage Alaska has been that most of its NHS roads have driveways or side road accesses so vehicles pick up and drop gravel on its highways creating roughness. In addition, Alaska also has permafrost, which creates additional roughness. Finally, some highways are gravel roads, such as half the Dalton Highway. He was uncertain how the rulemaking will affect these aforementioned conditions, reiterating that Alaska has some built-in disadvantages compared to other states in the Lower 48 that don't experience these kinds of issues.

[1:42:12 PM](#)

MR. OTTESEN stated that Alaska has been asking for consideration and exceptions for Alaska and the DOT&PF wants to avoid spending all its dollars "chasing pavement" since do so will mean it will not be able to do other projects that the citizens expect.

[1:42:31 PM](#)

CO-CHAIR HUGHES asked whether the department has been weighing in during the rulemaking process.

MR. OTTESEN answered absolutely.

[1:42:43 PM](#)

MR. OTTESEN discussed additional MAP-21 changes [slide 9]. He stated that 58 percent of the public bridges and 77 percent of all public roads are not on the NHS, which means that the Surface Transportation Program (STP) must provide repair and maintenance funding, which represents a very large set of needs. In addition, a significant number of mandatory tasks must be funded using STP funds, such as the two-year inspection of all bridges for safety needs, or for transit improvements, such as the current project to build a transit bus barn in Sitka, or to pay for ferry terminal needs. Thus, a large number of types and needs all cling to a small slice of the federal STP funding, which has led the department to slow or terminate projects in some parts of the state, he said.

[1:44:49 PM](#)

MR. OTTESEN directed attention to the emphasis on the National Highway System (NHS) [slide 10]. He explained that the circle graph on the left depicts the federal-aid funding, with the blue category representing the National Highway Performance Program (NHPP), which relates to the performance measures he mentioned earlier. The number of road miles that are considered to be part of the NHS are depicted in blue on the right of the chart, which represents less than a quarter of the state's inventory. This means the smallest slice of roads will be garnering most of funding under MAP-21, he said.

MR. OTTESEN referred to the graph on the left, to the Surface Transportation Program (STP) funding, noting that the red and green road miles on the right were ones eligible for the STP funding. He pointed out safety funding as the third largest area, and congestion mitigation air quality, or CMAQ, as the fourth largest funding area. He identified the remaining funds for planning, research, and transportation alternatives, which are shown in orange and blue. He reported that 23 percent of the road miles garners 57 percent of federal-aid funding. In summary, Congress has prioritized the National Highway System (NHS) as the highest priority, but state and local jurisdictions must take care of non-NHS road needs.

[1:46:57 PM](#)

MR. OTTESEN directed attention to the \$108 million of Surface Transportation Program (STP) funding, which is further divided into five subcategories [slide 11]. He pointed out that the

bridge funding for "off system bridges" totals \$3.7 million, but these funds are insufficient to even conduct the necessary inspection for bridges that he mentioned earlier.

MR. OTTESEN directed attention to the red slice of \$20.3 million in the circle graph for urban areas larger than 200,000 people, with Anchorage as the only community in Alaska large enough to qualify [slide 11]. He highlighted that the green slice of \$15 million goes to seven urban areas over 5,000, including Fairbanks, Sitka, Ketchikan, Kodiak, Palmer, Wasilla, and Juneau, which is allocated based on a per capita share, with about half of the funds are allocated to Fairbanks and approximately \$8 million to be shared among the remaining six communities.

[1:49:47 PM](#)

CO-CHAIR HUGHES recalled that the core area of Wasilla is 90,000, yet half of the Surface Transportation Program (STP) funding was allocated to Fairbanks.

MR. OTTESEN answered that the allocation is all driven by the census bureau and that agency determined the boundaries. The third category of STP funding was designated to populations under 5,000, with numerous communities in the Mat-Su area, Kenai, Nome, and Kotzebue qualifying to share the \$21 million; however, the funding is clearly inadequate to meet the transportation needs. He then directed attention to the Mat-Su Urban Cluster map [slide 12].

[1:51:47 PM](#)

CO-CHAIR HUGHES commented on the inadequate STP funding for small communities. She asked whether he could identify any real "winners."

MR. OTTESEN answered that there are not any winners and everyone would feel the pain, for example, a community the size of Juneau will receive less than \$2 million, but it is not possible to maintain all the non-NHS roads in Juneau and still keep the pavement intact and bridges repaired.

CO-CHAIR HUGHES asked whether Anchorage funding was proportionately similar.

MR. OTTESEN agreed, noting that Anchorage previously received close to \$40 million, but it has been reduced to \$20 million.

1:52:51 PM

MR. OTTESEN also mentioned that the "any area of the state" MAP-21 funding of \$47.7 million was funding not restricted to a specific population, but it must be used to cover mandatory services, such as data collection, civil rights office costs, bridge inspections, and to extent that any funds remain, will be used for projects nominated four years ago [slide 11].

MR. OTTESEN related a scenario that illustrated the department's perspective on STP funding choices, such that Kotzebue requested an estimated \$20 million in funding to build a road project to its proposed port, but if funding was taken from STP funds designated to the under 5,000 communities, it would have depleted the fund [slide 11]. Therefore, the only possible funding source for a project of that size would be the \$47.7 million in the "any area of state" MAP-21 funding.

1:54:25 PM

MR. OTTESEN directed attention again to slide 12. Although the DOT&PF doesn't design the urban clusters, the US Census Borough does, the state was allowed to smooth the boundaries and make them more rational. The MAP-21 Mat-Su Urban Cluster takes in the core of Palmer and Wasilla; however, it doesn't include all of the actively-growing areas of the Mat-Su Borough. One slice of MAP-21 funding goes to the area depicted in yellow, but the cluster represents less than 1 percent of the Mat-Su Borough by land area. Maps are available for each of the census areas, he said.

MR. OTTESEN directed attention to the 2012-2015 Statewide Transportation Improvement Program (STIP) [slide 13]. This document provides details, including the program, region, election district, title, description, type of funding, and what year the funding will be used. In addition, the department must show technical requirements, including the phase, the source of funding, and for instances in which the STIP doesn't cover the whole project, it also identifies the amount needed to complete the project. He explained that the state is nearly through the halfway point of fourth year of the STIP. The DOT&PF has had three major amendments, including Amendment 12, which was to address the regional boundary change within DOT&PF, and the changes that occurred during the closeout for 2014. Thus the DOT&PF needed to adjust the STIP to reflect what occurred in 2014, for example, to indicate which projects proceeded and

others did not and were moved to the next fiscal year in the STIP.

[1:57:03 PM](#)

CO-CHAIR HUGHES asked whether there was a 2013 - 2016 Statewide Transportation Improvement Program (STIP) document.

MR. OTTESEN answered that the DOT&PF is currently working on the 2016-2019 Statewide Transportation Improvement Program (STIP).

CO-CHAIR HUGHES related her understanding that as the DOT&PF finishes one STIP some projects will move to the next one.

MR. OTTESEN replied that the department would like to adjust the STIP on a two-year cycle. In doing so the DOT&PF would prepare a four-year STIP, refresh it with a new four-year STIP in the third year, but never reach the tail end as it currently does.

CO-CHAIR HUGHES asked whether the years would also be bumped.

MR. OTTESEN said the department was asked not to do that by the previous administration.

MR. OTTESEN offered that the election cycle and administration change have slowed the department down, but the DOT&PF must prepare the 2016-19 Statewide Transportation Improvement Program (STIP) or the state will not receive federal funding.

[1:58:11 PM](#)

CO-CHAIR HUGHES asked whether work was currently being done on the Statewide Transportation Improvement Program (STIP).

MR. OTTESEN answered absolutely.

[1:58:16 PM](#)

MR. OTTESEN said that Amendment 13 addresses the governor's administrative order, AO 271, which halted the Knik Arm Crossing and Juneau Access Road Project. Thus the department had to find a different set of projects that were eligible for the funding that could not go to the Knik Arm Crossing (KAC) and the Juneau Access [Road Project] this fiscal year. He reported that the DOT&PF made the necessary changes, closed the public comment period, and sent the document to the federal agencies for approval yesterday. He explained that Amendment 14 consisted of

a technical amendment to address the normal ebb and flow of project development since some projects are delayed for reasons specific to each project and other projects have changes in cost estimates. He offered that the department tries to keep STIP amendments on a two-month cycle.

[1:59:23 PM](#)

CO-CHAIR HUGHES asked whether Amendment 13 stayed in the STIP.

MR. OTTESEN answered that the public comment was closed on Friday, February 13, 2015 and the STIP was submitted to the federal partners for approval. He indicated that \$154 million in projects were made eligible in the process.

[2:00:04 PM](#)

CO-CHAIR HUGHES asked what would happen if the legislature wanted the two delayed projects to go forward.

MR. OTTESEN answered that each of these projects received prior legislative approval through the capital budget process. In fact, he advised that the DOT&PF cannot add projects to the STIP without prior legislative authorization.

CO-CHAIR HUGHES asked for further clarification that the \$154 million replaced the Juneau Access Road Project (JA) and the Knik Arm Crossing (KAC).

MR. OTTESEN agreed.

[2:00:38 PM](#)

CO-CHAIR HUGHES related her understanding that the STIP included the projects prior to Amendment 13.

MR. OTTESEN agreed, but clarified that the projects had been listed in the advance construction phase.

CO-CHAIR HUGHES asked whether the STIP would be amended if the legislature decided to move forward with the projects.

MR. OTTESEN offered his belief that the department could not use the funds this year even if the administration and the legislature agreed to move forward with the two large projects. He characterized the reasons as unique, for example, the DOT&PF has not yet applied for the TIFIA [Transportation Infrastructure

Finance and Innovation Act] loan for the Knik Arm Crossing and the draft supplemental Environmental Impact Statement (SEIS) will not be ready this fiscal year on the Juneau Access Road project. Thus both projects would be ineligible for federal funding so at this stage the DOT&PF must change the STIP. In further response to Co-Chair Hughes, he agreed that at the time the aforementioned projects were placed in the STIP, the department hoped that both projects would be ready. Again, the KAC awaits approval to release the TIFIA application; however, most of the work has been done on the application. He further clarified that both projects would be included in the 2019 STIP.

[2:02:29 PM](#)

CO-CHAIR HUGHES asked whether anything in AO 271 would prevent the two projects from being included in the 2019 STIP.

MR. OTTESEN said Commissioner Luiken will make specific recommendations to Governor Walker to proceed to the Record of Decision (ROD) for the Juneau Access Road project (JA) to ensure that the state is not obligated to repay federal funding spent to date. Once the state reaches the ROD, the state will have options in terms of how to proceed since completing the ROD doesn't predetermine the chosen alternative. He felt certain that the commissioner would recommend proceeding with the TIFIA loan on the Knik Arm Crossing (KAC), since without the TIFIA determination, the state will never know if the project is eligible. He characterized it as being the next meaningful point in the timeline for the project.

[2:03:59 PM](#)

CO-CHAIR HUGHES asked for further clarification that the department can move forward on the two aforementioned projects - the ROD and TIFIA application without the projects listed on the Statewide Transportation Improvement Program (STIP).

MR. OTTESEN replied that the funding has already been allocated to the STIP, the funding was approved by the Federal Highway Administration (FHWA,) and the department has allocated the matching funds. From a funding standpoint the work can continue, but the department will need the administrative policy decision addressed on AO 271, he said.

[2:05:03 PM](#)

MR. OTTESEN advised members that the department faces some technical constraints with respect to the current STIP and the 2016 STIP. In fact, if the Federal Highway Administration (FHWA) was asked to approve an environmental document, but the STIP did not include the project for the next project phase, FHWA will not approve it, and will place the project in suspense, he said. He emphasized the importance of completing the 2016 STIP since a large number of projects throughout the state could be stalled without it. In response to Co-Chair Hughes, he agreed the STIP was behind schedule and the delay was beginning to have some "on the ground" impacts.

CO-CHAIR HUGHES further asked for the reason that the DOT&PF was behind schedule on 2016 - 2019 Statewide Transportation Improvement Program (STIP).

MR. OTTESEN offered his belief that Governor Parnell didn't want to publish a STIP that showed delays for many local government projects. In further response to Co-Chair Hughes, he anticipated that the 2016 STIP would be completed by mid-April 2015.

[2:07:39 PM](#)

MR. OTTESEN compared the programming considerations to a "river" since the funding cycle tended to be relentless and the DOT&PF's goal was to use funding rather than allow it to pass by unused [slide 15].

MR. OTTESEN stated that federal funding was almost entirely "use or lose," but it wasn't as simple as just identifying a project, since the Federal Highway Administration (FHWA) requires the department to seek project approval by phases [slide 16]. He explained the FHWA process was to allocate funding for each stage of the project, including design, right-of-way acquisition, and utility relocation, if needed, followed by permitting, and construction. He reported that to get through these series of steps can take from two to seven years, depending on the complexity of the project. For example, the complicated Cooper Landing Bypass on the Sterling began in the 70s, which has the distinction of being the oldest federal aid project in the US. Although federal funding can be very challenging, the department has an almost a perfect track record in not allowing federal funding to lapse. In fact, the state has also been able to acquire lapsed funding from other states. Further, the state has been able to respond late in the federal fiscal year, while other states are not able to react as quickly

as Alaska. He characterized programming as the art of determining which projects to spend funds on, while keeping in mind that the state currently has over 1,200 active FHWA projects.

MR. OTTESEN reported that the department has dozens of design squads working on the myriad of projects that lie in a variety of phases, with its overarching goal to absorb the federal funding in order to better the state's transportation system. In response to Co-Chair Hughes, he agreed one year the department lost a total of \$.30, remarking that the DOT&PF has done an excellent job in assuring federal funding stays in the state.

[2:11:11 PM](#)

MR. OTTESEN returned to programming considerations on slide 16, noted that funding cannot be carried over from year to year, nor can it be assigned to a project at the time the legislative capital budget authority occurs. He likened it to having the state's authority to spend in one spot and federal funding being in another spot, but these funds are not "married" until the projects are obligated. He indicated that obligation actually occurs when a project is certified as having met all federal requirements and a funding agreement is signed by FHWA and the state. In Alaska - and nationwide - 30 percent of projects end up being delayed to a subsequent year since the process to achieve project funding must address or meet numerous laws and requirements, such as environmental, air quality, or archeological concerns. Although these processes are important, he said, it makes projects expensive, time consuming, and prone to delays.

[2:13:29 PM](#)

MR. OTTESEN, in response to Co-Chair Hughes, replied that he was referring to federal funding, not state funding, since state funding is provided in a single block. The state matching funds would be applied at the same time the federal funding happens. He described the process, such that the DOT&PF would create a project identification and acquire a federal aid agreement signed by the FHWA that will guarantee reimbursement. He clarified that the FHWA program was not a grant program with funding happening up front; instead, the FHWA provides certainty on reimbursement for state expenditures on projects - so federal reimbursement follows the state expenditures on projects. Thus the DOT&PF typically will bill the FHWA twice weekly

electronically, he said, noting that the DOT&PF accumulates receipts for any contractor and staff labor as well as for materials and bills these expenditures electronically. In further response to Co-Chair Hughes, he responded that the 90 percent federal and 9 percent state matching funds relate to most federal funding, including STIP or National Highway System (NHS) projects, but a few categories are matched at 20 percent.

[2:14:57 PM](#)

MR. OTTESEN reiterated that projects were often delayed, but large, controversial projects have a much higher risk of slipping due to project complexity and to political support or opposition. The department manages these uncertainties by having projects in the queue that can be plugged in to use the funding. He said, "You absolutely have to have those extra projects working. It's the only way we ensure that we use all the funding."

[2:15:43 PM](#)

MR. OTTESEN directed attention to slide 17, stating that it's somewhat embarrassing that the department has not been obligating its federal funding until well into second part of the year. He estimated that in the first six months about 20 percent of the program was obligated and in the second six months the remaining 80 percent were obligated.

MR. OTTESEN stated this pattern started in 2009 when the state received the American Recovery and Reinvestment Act of 2009 (ARRA) funding. The state funded its current projects, then depleted the extra projects it had on the "shelf." He explained that the "shelf" projects were ones that have been developed and met the federal tests, but were ones that tended not to be the highest priority projects for the year. Instead, these projects were projects that are ready to go and are ones that can absorb federal funding when other projects become stalled. The overall effect has impacted the department since it must work closer to the deadline. In fact, the department has continually been struggling to catch up and add projects to the "shelf," he said.

[2:17:14 PM](#)

CO-CHAIR HUGHES asked for further clarification on the line depicting the 2015 obligation.

MR. OTTESEN explained that these figures are current until February, but the line will start to rise as the months are reported. He elaborated by directing attention to the final column labeled "Total + Transfers," explaining that transfers were funds that have been transferred to another federal agency. For example, the Inter-Island Ferry Authority might be doing a project with the Federal Transit Administration (FTA) and receive some FHWA funding to complete its budget. In such an instance, the DOT&PF would ask its federal partner to transfer funds to the FTA to administer. Thus, each year a certain number of projects will be transferred and not administered directly by the state. In further clarification, he stated that the chart relates to a month-by-month federal fiscal year.

[2:19:14 PM](#)

MR. OTTESEN directed attention to other program considerations [slide 18]. He highlighted recent trends that resulted in surplus funding due to underbidding, in which the project bid comes in lower than the obligated federal funds. He said these funds will be returned to the program; however, the funds must be expended by the end of the year. In addition, similar surpluses occur during project closeouts when project costs fall under the obligated amount; these two trends have brought in about \$100 million to the program in the past five years. Last year he said he testified before the Senate Finance Committee to inform the committee that surplus funding could be used for a major project such as the Juneau Access Road Project (JA) or the Knik Arm Crossing Project (KAC), yet have very little impact on other planned projects. Ultimately, the department must develop more "shelf" projects to absorb the surplus funds, which he characterized as "use or lose" funds that will lapse by September 15th if it is not used.

MR. OTTESEN declared that the department must obtain legislative authority, too; however, the eligibility process has also become more complicated. As previously mentioned, the DOT&PF shifted \$150 million into the STIP due to AO 271, plus it received \$100 million surplus funds from underbidding and project closeouts. This combined funding totals \$250 million this year and the DOT&PF must identify and certify eligible projects to absorb this funding or the state will lose these federal funds. He acknowledged DOT&PF's challenge was to develop "shelf" ready projects that will meet eligibility requirements - with all of the steps for each project completed.

[2:22:39 PM](#)

MR. OTTESEN, in response to Co-Chair Hughes, identified AC [advance construction] as being the means for the department to show its "shelf" projects [slide 18]. He characterized advance construction as being similar to going on vacation and using a credit card. He elaborated that federal rules allow projects to be shown as AC in the STIP and to proceed with signature approval, but to inform Federal Highway Administration (FHWA) that the state would like to postpone reimbursement to a subsequent year. This tool provides the certainty of federal authorization, but slows down reimbursement in projects, he said. He described how the AC process would work. He related a scenario in which the DOT&PF planned to purchase two large engines for the Alaska Marine Highway System (AMHS), but the manufacturer estimated the engine delivery date would be in two years. In that case, the DOT&PF would place the proposed engines in advance construction (AC), award the bid to the manufacturer, issue the order, but not execute the terms for payment until the engines were delivered. In this way, the department could lock up \$30 million in federal funding for the engines, but request federal funding at the time of delivery by matching the cash flow to the federal receipts, he said.

[2:24:59 PM](#)

MR. OTTESEN offered that advance construction (AC) could also be used on large projects, for example, ones of three years' duration [slide 18]. For example, if the DOT&PF had a \$90 million construction project with a three-year horizon, the state could [advance construction] AC \$60 million in the first year, place \$30 million in the STIP in funding in anticipation of contractor construction costs, but receive \$30 million in each of the following two years. He said this process allows the state to use federal funding in line with the cash flow to contractors, followed by reimbursement from the FHWA, but it also allows the state to show additional projects in the STIP, but avoid the fiscal constraint limitation. Another way the DOT&PF uses advance construction is in instances in which shortfalls are anticipated in the fourth quarter. In those instances, the department will AC [advance construction] a project in August - with the knowledge the project will not proceed during the winter months - and payoff the AC in the first quarter of the next federal fiscal year. Although this process does not impact the state fiscally, it allows the DOT&PF to time its projects to take advantage of the maximum federal funding available, he said.

MR. OTTESEN turned to ILLU [illustrative], which he said was a little different, such that if extra funding occurs due to another project being delayed, this project is one that would be ready to take advantage of the extra money that comes along [slide 18]. He offered to cover this in more detail later, but noted that several events can occur that could bring additional funding to the state rather suddenly.

[2:27:53 PM](#)

MR. OTTESEN turned to slide 19, "Programming Considerations," and reiterated that the FHWA priority will be on the National Highway System and on asset management.

[2:27:59 PM](#)

GINGER BLAISDELL, Staff, Representative Shelley Hughes, Alaska State Legislature, asked about federal dollars that don't get spent at the end of the year. She recalled that typically general funds are spent first and federal reimbursement follows. In the event a project comes in under the bid amount, she asked whether general funds are also forwarded with surplus federal dollars. In other words, she wondered what happens to the state matching funds at the end of a project in the event a FHWA project falls under the bid amount and if the state would then be required to pay another 10 percent in matching funds.

MR. OTTESEN answered that unexpended funds that are released from the obligation are released back in the same ratio of \$91 federal funding to \$9 state general fund matching funds. He characterized this as "one good thing" that happens since the federal dollars would also release the state matching funds, which goes back to the state's "match pot."

[2:29:06 PM](#)

MR. OTTESEN directed attention to slide 20, "Funding Wild Cards," and related instances of additional funding. Historically, when the Congress has reauthorized the highway funding bill, it has increased its funding by about 20 percent. Currently, both the Republican and Democratic leadership in the Congress have been considering an increased transportation program although the funding mechanism still hasn't been decided. Historically, the FHWA Trust Fund has been funded via gas taxes from vehicles using the highway system; however, the model has been declining in recent years. Although these gas taxes still generate 80 percent of the current funding needed,

the taxes no longer generate 100 percent of the funding. This decline has been happening, in part, since cars are more efficient, and because some vehicles don't use gasoline or diesel fuel. In addition, reduced driving occurred after the recession and although it has been increasing, driving has been rising at a much slower rate. Therefore, the Congress must find another funding mechanism, such as a mileage tax; however, he predicted that the technical and social implications will take time to develop. In addition, a tax forgiveness program for overseas profits might come back to the state, which would generate revenue that could be allocated to the Highway Trust Fund. If that were to happen, it would mean the state would have additional funds, he said, and it could solve some of the other problems with projects in the queue.

[2:31:59 PM](#)

MR. OTTESEN turned to "Repurposed Earmarks" [slide 20]. He reported that the state still has approximately \$153 million in funding from federal earmarks, which do not lapse. In 2012, the Congress repurposed some earmarks, changing the title of all the earmarks. So instead of the earmarks identified as project "x," "y," and "z" in location "y," these funds became eligible like Surface Transportation Program (STP) dollars, and the funds were directed to the Alaska DOT&PF, and had all the same eligibility requirements as formula funds, except that the state was required to use the repurposed funds within three months. Fortunately, the state had projects ready, with sufficient matching funds and legislative approval, he said, so the DOT&PF was able to generate a list and obligate the repurposed funds or Alaska would have lost the funding.

[2:33:38 PM](#)

MR. OTTESEN cautioned that if something similar were to occur with respect to the remaining \$153 million in earmarks, it will be difficult, especially if the Congress repurposed the funds outside of the legislative session.

CO-CHAIR HUGHES asked whether the legislature could take advance action so it could trigger legislative authority if the Congress took action.

MR. OTTESEN answered that she has identified the challenge. He suggested it takes time to get projects ready, such that the department can't get projects ready in six months, so it would need to look at projects already in the process. Certainly, the

state will spend next year's funds on the highest priority projects, so the remaining projects that are extra ones. In addition, it is helpful to have some projects in advance construction since the AC can be paid off, but timing challenges exist, he said. The list for 2016 will be different than the 2017 list; however, the DOT&PF cannot predict when the repurposing might happen. In response to Co-Chair Hughes, he predicted that if the department learned it needed to respond to repurposed earmarks in May 2015, that the DOT&PF could spend next year's state matching funds and request additional matching funds in January [based on the federal fiscal year]. Thus there are ways to temporarily borrow; however, he exclaimed that state matching funds are an issue and the state has not been carrying much balance in its "match fund." Thus state matching funds pose one issue and having sufficient projects ready to go poses another issue. In further response to Co-Chair Hughes, he felt confident that the department could find 30 to 50 percent of the total \$153 million in repurposed earmark funding; however, he was uncertain whether the DOT&PF would have enough "shelf ready" projects, unless one of the major projects became eligible.

[2:36:59 PM](#)

CO-CHAIR HUGHES related her understanding that the state could potentially lose some funding. She asked whether the department has been holding any conversations with Alaska's Congressional Delegation.

MR. OTTESEN answered yes; stating that the DOT&PF holds ongoing discussions with the governor's Washington D.C. staff. He explained that the DOT&PF has been discussing earmarks since 2012. He predicted that the next set of earmarks the Congress will likely take action on will be the SAFETEA-LU [Transportation Equity Act: a Legacy for Users earmarks in 2005] era earmarks. He surmised that the Congress could lapse the earmarks, and if so, Maine and Alaska would lose the most since they have the most earmarks. Although Alaska stands to lose the most, Alaska stands to lose the most in the event it is not ready to obligate. In response to Co-Chair Hughes, he agreed that it would be triggered by the Congress reauthorizing MAP-21 [Moving Ahead for Progress in the 21st Century Act].

MR. OTTESEN commented that the Congress has set a deadline for the end of May 2015 to achieve reauthorization. At the last national meeting, the DOT&PF learned that the Congress will likely do a short-term extension, but it does plan to reauthorize MAP-21 by mid-summer; however, the legislature will

be out of session so the DOT&PF will manage it with the tools it has at its disposal.

2:39:10 PM

MR. OTTESEN remarked that the Statewide Transportation Improvement Program (STIP) document constantly changes, but he said it was important to have the flexibility to change the document. In response to Co-Chair Hughes, he stated that the STIP can be accessed from the DOT&PF's home page [<http://dot.alaska.gov/stwdplng/cip/stip/index.shtml>].

MR. OTTESEN explained that the link includes the amendments, the current Statewide Transportation Improvement Program (STIP), along with an interactive map that also allows people to access project status reports. He concluded by acknowledging that the STIP is complicated.

2:41:09 PM

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:41 p.m.