

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 26, 2016

1:07 p.m.

**MEMBERS PRESENT**

Representative Shelley Hughes, Co-Chair  
Representative Charisse Millett  
Representative Benjamin Nageak  
Representative Louise Stutes  
Representative Matt Claman  
Representative Dan Ortiz

**MEMBERS ABSENT**

Representative Neal Foster, Co-Chair

**COMMITTEE CALENDAR**

PRESENTATION: DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

MARC LUIKEN, Commissioner  
Department of Transportation & Public Facilities (DOTPF)  
Juneau, Alaska

**POSITION STATEMENT:** Answered a question raised after the House Transportation Standing Committee meeting of 1/21/16, and provided a Power Point presentation entitled, "Navigating, Preparing, Delivering, Improving."

MARY SIROKY, Director  
Division of Administrative Services  
Department of Transportation & Public Facilities (DOTPF)  
Juneau, Alaska

**POSITION STATEMENT:** Participated in a Power Point presentation entitled, "Navigating, Preparing, Delivering, Improving."

**ACTION NARRATIVE**

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**CO-CHAIR SHELLEY HUGHES** called the House Transportation Standing Committee meeting to order at 1:07 p.m. Representatives Hughes, Claman, Ortiz, Millett, and Nageak were present at the call to order. Representative Stutes arrived as the meeting was in progress.

PRESENTATION: DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

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CO-CHAIR HUGHES announced that the only order of business would be a presentation by Commissioner Marc Luiken, Department of Transportation & Public Facilities (DOTPF). She referred to a document entitled, "Guidelines for Transportation Management Systems Maintenance Concept and Plans," and noted that a question regarding federal transportation funding was raised at the meeting on 1/21/16, and asked Commissioner Luiken to respond prior to his presentation today.

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MARC LUIKEN, Commissioner, Department of Transportation & Public Facilities (DOTPF), explained that the key phrase in the aforementioned guidelines is "Transportation Management Systems," which are systems used to control and monitor traffic such as, road cameras, transportation operations centers, and its related hardware and software. In the event maintenance is needed on those systems, federal funding is available. Commissioner Luiken confirmed the department's understanding that for routine maintenance such as guardrail repair, road patching, and snow and ice removal, federal funds are not eligible.

CO-CHAIR HUGHES asked whether federal funds are being used for management systems in Alaska, and whether management systems include sensors that measure temperature and moisture.

COMMISSIONER LUIKEN answered yes. He advised that federal funds are used in three areas, which are: (1) Whittier Tunnel, where DOTPF uses \$1.5 million for management; (2) Road Weather Information System (RWIS) that includes cameras and road sensors for road conditions; and, (3) 511 Traveler Information system, which is the system used in Alaska to communicate road conditions to the public around the state.

COMMISSIONER LUIKEN, in response to a follow-up question from Co-Chair Hughes, replied that RWIS is used statewide.

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REPRESENTATIVE ORTIZ expressed his understanding that the aforementioned management systems only relate to highways and roads.

COMMISSIONER LUIKEN clarified that the management system is a federal highway program and there are two modes of transportation that qualify for federal highway funds. He began his presentation addressing the following: changes from fiscal year 2015 (FY15) to FY17; how DOTPF navigated through a \$34.5 million budget cut in a single year; how DOTPF is preparing to absorb additional cuts; the delivery of transportation services; and what is being done to improve the transportation system [slide 3]. Commissioner Luiken acknowledged that his department is often thought of as a "big, government entity," however, DOTPF is really made up of people working hard every day, and he highlighted the exemplary work of two employees [slides 4 and 5].

COMMISSIONER LUIKEN turned to the FY16 budget cut of \$34.6 million, and pointed out that DOTPF functions on two budgets: a capital budget and an operating budget. The capital budget is specifically for design and construction of the transportation infrastructure: the road, airport, and marine highway systems. These systems, which are highly regulated and reported, benefit from federal capital dollars used to build, replace, and construct. He noted that most of the staff working from the capital budget are also federally funded. He explained that the majority of the operating budget comes from unrestricted general funds (UGF), from which \$15.3 million was cut in FY16 from highways and aviation, resulting in a reduction of 29 position control numbers (PCNs). The Alaska Marine Highway System (AMHS) absorbed an \$11 million cut, resulting in a reduction of 32 PCNs [slide 6]. As an aside, Commissioner Luiken advised that DOTPF was told that AMHS "shore side staff" were oversubscribed, thus all 32 positions were cut from shore side staff.

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CO-CHAIR HUGHES asked how many employees work under each budget, what portion of their salaries are paid from state funds, and "how many actual people lost ... jobs?"

COMMISSIONER LUIKEN offered to provide the exact numbers. He explained that a large majority of his department's employees receive some support from federal funds, and few positions are 100 percent paid from UGF. Returning to slide 6, he said support services had an \$8.2 million reduction that resulted in a loss of 34 PCNs. In fact, he remarked, highways and aviation and AMHS account for 96 percent of the UGF budget, and support services account for 4 percent. He said, "... of the 95 positions that we cut, 35 percent of that came from that 4 percent service support side." In order to minimize the impact of the cuts on service delivery, DOTPF sought to find positions that were not filled, and out of 95 positions, 28 employees were laid off.

REPRESENTATIVE ORTIZ asked the commissioner to describe what activities will not happen on the highways and at the airports due to the cuts.

COMMISSIONER LUIKEN answered that DOTPF has not responded as quickly as in the past to snow and ice events. One of the impacts of the cuts is a reduction of overtime, and this summer, guardrails may not be repaired or potholes may not be patched rapidly. At the airports, there will also be a slower response to normal maintenance such as, striping and repairs.

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REPRESENTATIVE CLAMAN questioned whether the reductions are solely in personnel.

COMMISSIONER LUIKEN said reductions in personnel led to reductions in the amount of equipment and commodities needed.

REPRESENTATIVE CLAMAN observed that dividing the number of PCNs lost by the amount of the cuts equals savings in the amount of \$500,000, \$350,000, or \$240,000 per PCN. He surmised there are other factors included in the savings.

COMMISSIONER LUIKEN explained that the reduction in PCNs is a reflection of the number of personnel affected by the budget cuts. In addition, he explained, there were other impacts to overtime, commodities, and equipment, and there was a reduction by AMHS from 378 weeks of service in FY15 to 350 weeks of service in FY16.

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REPRESENTATIVE MILLETT expressed her desire to see budget priorities established so that overtime is delegated only for life, health, and safety events, rather than for routine services such as paving. She remarked that there are opportunities for better use of the budget, for example, in the winter there will be snow and ice events and planning will lead to a more efficient use of overtime with less impact to the public. Delays in service have been politicized and attributed to budget cuts because the first thing the department does is "go after services that impact people," and she urged that overtime be prioritized. Representative Millett requested a breakdown of DOTPF's overtime costs for road maintenance. She said she was frustrated because other options are available, as evidenced by the transfer of \$7 million to the AMHS operations budget from funds designated for the fuel trigger.

REPRESENTATIVE MILLET restated her request for an overtime prioritization list, and also requested a breakdown on the department's fleet that will show the rules and regulations for replacements to the fleet, and upgrades - versus maintenance costs. She said replacements are a big cost driver, and observed, "If we have very well-maintained equipment it should last forever." She commented that the aforementioned measures will lessen the impact on the public, and the rhetoric, during the state's fiscal challenge. Representative Millett noted she is requesting this information from each department.

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COMMISSIONER LUIKEN said he will provide the requested prioritization list. He added that in the future, the department will also provide information on specific events, such as the Glenn Highway icing, answer questions on how DOTPF responds to events, how the department deals with major snow and ice events, its priorities, and the guidance given to its superintendents regarding decisions on overtime. He restated that when DOTPF must choose the impacts of cuts on the UGF budget, given that 96 percent of the budget is for services, there is no other choice but to reduce services. Statewide equipment fleet issues will be discussed later in the presentation, he advised.

CO-CHAIR HUGHES stated that some constituents have reported to their legislators that they have not noticed "any big impact" in services due to the budget cuts at DOTPF, except on winter road maintenance. Regarding the reduction of overtime, she questioned whether DOTPF has considered flexible scheduling

approaches. For example, she suggested furloughing equipment operators during good weather and thereby save worker hours to later respond to bad weather events for life and safety purposes. Co-Chair Hughes acknowledged that there are fewer employees on duty. However, she said she was told by the Alaska Trucking Association that historically, there are always complaints at the beginning of bad weather. Although this year, she said, the Alaska Trucking Association has received ongoing calls about trucks going off the road and fish tailing.

REPRESENTATIVE CLAMAN agreed that delays in winter road maintenance are a concern to all constituents because potholes can damage private vehicles, and lead to more vehicular accidents. He asked whether - after continuing budget cuts - it is realistic to expect the same level of service as was provided two years ago, or whether legislators should tell constituents to expect a slower response.

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COMMISSIONER LUIKEN agreed that Representative Claman's assessment is correct, and advised that DOTPF is working to find every possible efficiency to minimize the impact of budget cuts. Recently, AMHS identified \$5 million in efficiencies to lower costs, but he cautioned that FY17 cuts will limit the ability of DOTPF to deliver the services that Alaskans expect.

COMMISSIONER LUIKEN returned to the presentation, and explained that DOTPF is preparing for the FY17 budget with a structure called Results Based Budgeting/Alignment (RBB/RBA), which is a shift in focus from looking at activities to looking at outcomes and results. The DOTPF mission, "Keep Alaska Moving through service and infrastructure" remains unchanged; however, the new process helps DOTPF focus on tasks identified through four core services, which are: operate the transportation system; maintain the transportation system; expand, reconstruct, rehabilitate, and update the system; and deliver and operate marine transportation services. Subsequently, in an exercise involving about 200 employees, direct services and budget cuts were identified within each core service by data measurement and objective information [slide 7].

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REPRESENTATIVE NAGEAK observed that there are many resources in the regions of Alaska without road access and related that road access is also important for village residents who are dependent

upon expensive and limited air transportation. The road system needs to be expanded, he said, not only to the North Slope but to the north, west, and southwest, which would create many opportunities. Representative Nageak encouraged DOTPF to accept all available federal transportation funds and commented that all regions of the state should be able to enjoy the cost savings available to those living on the road system.

COMMISSIONER LUIKEN restated the department's organizational shift from activities and budget to outcomes and results, which is outlined in DOTPF's strategic plan as follows: to provide for safe movement of people and goods; to connect people; and to open opportunities for resource extraction.

CO-CHAIR HUGHES requested examples of savings that are garnered from more efficient operations that will not reduce services.

COMMISSIONER LUIKEN responded that one result from using the Results Based Budgeting process (RBB) is centralized planning in organizational structure. He explained that across the state, personnel planning will be under the program development director in Juneau, and that DOTPF has found efficiencies in its organization of statewide aviation. He said he anticipates personnel efficiencies as well.

CO-CHAIR HUGHES requested a review of DOTPF's organization chart related to aviation.

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REPRESENTATIVE STUTES asked whether all DOTPF divisions have a strategic plan.

COMMISSIONER LUIKEN explained that DOTPF has a department-wide strategic plan on its web site encompassing all modes of transportation, and that updates will be posted in the next few months for the department's strategic goals for each division.

REPRESENTATIVE STUTES advised that according to the Southeast Conference, a strategic plan is statutorily required for AMHS, but one is not currently in place, she noted, and asked whether there is an update planned.

COMMISSIONER LUIKEN answered yes. He noted that when looking at the manner in which AMHS is comprised, he is unaware of anyone that had a strategic plan. For example, he said, AMHS has four to five different ship types, and up to 20 different dock types.

He agreed that it does need an update, and reiterated that the department needs a strategic plan together with strategic goals to help focus on how it is going to get there.

CO-CHAIR HUGHES inquired about the long-range transportation plan for Southeast.

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COMMISSIONER LUIKEN advised that the Southeast Alaska Transportation Plan was issued in the early to mid-90s, prior to the launch of the fast ferries. In fact, he commented, there is a draft from 2004 that has never been ratified. He agreed the plan should be updated and should include AMHS, in addition to a separate AMHS strategic plan.

1:51:10 PM

MARY SIROKY, Director, Division of Administrative Services, DOTPF, directed attention to slide 8, entitled, "Northern Region," and explained the department's plan to illustrate its budget once it has finished its Results Based Budgeting/Alignment process (RBB/RBA). Illustrated on slide 8, she noted, was the funding aligned on each one of the core services for the Northern Region. Included in parts of the organization are the support services - illustrated on slide 8 by teardrops of various colors - that feed into those core services. For example, under Core Service 1, design engineers [percentage illustrated in red] support "maintain Alaska's infrastructure," support "operate Alaska's infrastructure," support "expand infrastructure," and support 100 percent of the Northern Region's proportion of "operate marine transportation services," because design engineers assist AMHS with the design of vessels, harbors, and docking facilities. She pointed to facilities [percentage illustrated in green] under Core Service 1, and said, "And you can see that we don't have any green under 'maintain' because we don't have any buildings associated with the fundamental infrastructure of the road, but we have buildings associated with 'operating' the transportation system, because that's where our maintenance stations are."

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CO-CHAIR HUGHES asked for clarification.

MS. SIROKY explained Core Service 1 is 14.3 percent [of the budget], and design is [3.3] percent of that. However, highways

and aviation [percentage shown in yellow] contributes to "maintain Alaska's infrastructure" and "operate Alaska's infrastructure," but not to "operate the marine transportation system."

MS. SIROKY, in response to a follow-up question from Co-Chair Hughes, advised the committee to disregard the color coding in the gray boxes on slide 8.

MS. SIROKY stated that the department will complete the plan for all of the regions and, eventually, it will be possible to see all of the [department's budget] aligned under the four core services. Ms. Siroky pointed out that 2.4 percent of the budget does not fit under the four core services, and that is for the work DOTPF does for public facilities that are not owned or operated by DOTPF, such as maintenance services for the Fairbanks Regional Office Building and court buildings.

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REPRESENTATIVE MILLETT asked Ms. Siroky to elaborate on all of the buildings for which DOTPF is responsible.

MS. SIROKY said DOTPF owns some office buildings, over 80 maintenance stations, equipment buildings at airports, sand storage buildings, chemical storage buildings, and generator buildings. The Department of Administration (DOA) owns the State Office Building, the Health and Social Services Building in Juneau, and others. The Department of Health and Social Services owns the Pioneers Homes, and the Department of Corrections owns prisons. She explained that under a shared services initiative, DOTPF has been tasked to review facilities maintenance and to explore ways to improve efficiencies. Currently, DOTPF is looking at a pilot project for Juneau involving maintenance managers from several agencies. She opined that sharing maintenance employees between agencies is more efficient than hiring outside services.

REPRESENTATIVE MILLETT expressed her support for the pilot program.

REPRESENTATIVE NAGEAK asked for a description of DOTPF's Northern Region.

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MS. SIROKY said DOTPF is divided into three geographic regions, as follows: Northern Region includes Koyukuk and the North Slope; Central Region includes the Bethel area; and Southcoast Region includes Yakutat, Southeast, and the Aleutian Islands area. She explained that the regions were reorganized last year in order to better focus marine expertise on regions with marine issues.

MS. SIROKY, in response to a follow-up question from Representative Nageak, confirmed that the Northern Region budget totaled \$105,958,800.

MS. SIROKY, in response to Chair Hughes, agreed to provide a map of the regions to the committee.

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MS. SIROKY turned to slide 9, and related that DOTPF has been asked, over the last several years, to reduce its unrestricted general fund (UGF) budget. She said the graph illustrates where the UGF is located in the department. The amount of UGF attributed to personal services is in yellow, and the amount of UGF attributed to support lines - which are travel, services, and contractual - are in green. She continued that design, engineering, and construction had \$700,000 of UGF; administration and support, which includes the commissioner's office, administrative services, regional directors' offices, services, planning, program development, and information technology, has about \$5 million; and facilities has a slightly larger amount. She stressed that DOTPF has strived to identify any and all possible sources of funding to pay for support services and to help out on highways, aviation, and the marine highway system. She pointed out that the department has been very successful "to take what is a \$40 million admin and support operating budget and have only \$5.7 million of it be in UGF."

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REPRESENTATIVE NAGEAK asked for clarification between "personal" and "personnel" on slide 9.

MS. SIROKY explained DOTPF labels the personnel budget "personal services," thus on slide 9 yellow represents personal services, which funds personnel, and green represents support lines that fund travel and contractual services. She clarified that both the yellow and green are UGF, and pointed out that when the department looks at its budget in FY16 or FY17, this is where it

starts when looking at the UGF. There are not many places to cut UGF in administration and support, or design and engineering services as they tend to be positions that have small amount of UGF associated to them because DOTPF finds ways to pay for them from other fund sources. However, some UGF is made available for positions in order to not go against the funding restrictions tied to the fund sources paying for the activities.

CO-CHAIR HUGHES surmised that there are still various levels of administration and support within the budgets of highways, aviation maintenance and operations, and AMHS.

MS. SIROKY agreed that admin support is included within highways and aviation and AMHS. She explained that employees in these positions put together their budgets, complete timesheets, order supplies, and file. She opined this is a good use of GF so that maintenance operators are working on the roads and not filling out timesheets and forms, which are tasks that can be completed by less expensive staff positions.

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CO-CHAIR HUGHES said she has heard from retired DOTPF employees that more streamlining is possible, and pointed out that having aviation management positions with support staff in each region does not seem efficient. Furthermore, in Southeast, the present structure allows for "assistant" positions that add another layer to management. She requested that DOTPF look at the need for administrative positions in the budgets for highways and aviation, and AMHS.

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MS. SIROKY assured the committee DOTPF is looking for efficiencies throughout its organization, and unlike other departments, all Alaskans are affected by DOTPF operations. She directed attention to slide 10, which illustrated how UGF has changed from FY10 to FY17. She reiterated that the budget funded by UGF is divided into administration and support; design, engineering, and construction; highways, aviation and facilities; and AMHS. Since FY10, the components of administration and support, and design, engineering, and construction have been reduced. As always, she commented, highways, aviation and facilities and AMHS remain the largest users of UGF, although reductions to those components in FY16 were over \$35 million, and reductions in FY17 will be over \$12 million. Furthermore, she pointed out, in FY17, highways,

aviation and facilities will be reduced by \$6.5 million, which will result in a reduction of twenty-one full-time and nine part-time positions [slide 11]. She said, "From the two previous slides you can see there's just really not a whole lot of places we can go to get \$6 million worth of [UGF], without going to highways and aviation and the marine highway system." She cautioned that there will be changes affecting winter and summer maintenance. However, DOTPF always prioritizes the highest average daily traffic (ADT) roads to preserve safety. She explained that the first reductions are to commodities, vegetation, and that six maintenance stations will be closed, although the roads affected will still be maintained. Ms. Siroky further explained that in order to guide reductions to the budget, DOTPF used a tool developed by its regional maintenance staff. This program helps reveal how maintenance and operations are managed throughout the state in order to evaluate and "standardize a level of difficulty for each section of road" based on geography and ADT, and cuts to staffing are not to the areas with the highest transportation needs.

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REPRESENTATIVE MILLETT asked for a list of open PCN numbers, a list of filled PCN numbers, and a graph of open and filled PCN numbers so she could compare the fluctuation of actual jobs and bodies to open PCN numbers over the last ten years.

MS. SIROKY said she will request the information from DOTPF's data systems. She advised that DOTPF actively manages vacant PCNs for placement of trained and skilled employees who are facing lay off. For example, when employees retire or quit, their positions are kept open, she explained.

REPRESENTATIVE MILLETT remarked:

What I think that I'm looking to do is -- when we talk about budgeting the public has a mis -- when they hear that you have less positions, what the public hears is that you have less people, and that's not always true. Less positions doesn't always mean a body and a job, less positions means vacant PCN numbers.

REPRESENTATIVE MILLETT opined that legislators need to be more specific about "vacant PCN numbers and bodies in a PCN number." She then requested DOTPF's desired percentage of open, vacant, non-filled PCNs to "have on hand" when it needs to increase staff for major projects.

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MS. SIROKY answered that DOTPF's total PCN count is approximately 3,400.

REPRESENTATIVE MILETT asked of the 3,400, what is a good percentage of open PCN numbers the department would like to have at all times. For example, currently there are about 6,000 vacant PCN numbers out of approximately 38,000 state employees.

MS. SIROKY responded that the department runs a vacancy rate of approximately 5 percent. It is important to remember, she said, that that is vacant over a period of time, for example, a position is filled, someone gets promoted, that position is now vacant for a while, it gets filled, and so on. The department also has, through time, not been funded for salary increases, and yearly merit increases. Therefore, she pointed out, it has been in the position of keeping positions vacant for periods of time in order to meet its personal service obligations. She advised there is a whole machination involved in keeping the department operating to the maximum of its ability and funding.

REPRESENTATIVE MILLETT observed that salary costs for the past ten years are known, and she restated her request for a solid PCN count, and a comparison of filled and vacant positions for the past ten years. She noted that she will request this of every department.

CO-CHAIR HUGHES requested that DOTPF provide the number of positions and the number of people affected. She directed attention to slide 11, which indicates that, in FY17, "Service reduction will be felt on lower priority roads." She pointed out that service reductions are being experienced on high priority roads, and questioned whether that practice is expected to continue.

MS. SIROKY responded that current cut backs represent \$6 million on top of a \$15 million reduction, which totals \$[21] million less for the department to maintain roads. In that regard, service reductions will be seen "probably across all levels," although, the department always tries to start [reductions] with the low priority roads. She noted that the department is getting to the point where low priority roads may not be passable for days. In addition, she explained, recent changes in winter weather have resulted in more ice events - such as on the Glenn Highway - and climate changes are unpredictable.

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REPRESENTATIVE ORTIZ asked whether high priority roads are well known.

MS. SIROKY said DOTPF can provide a map indicating the priority levels of roads.

REPRESENTATIVE ORTIZ expressed his understanding that Revillagigedo Island has no level one priority roads, and it automatically goes down to level two priority on all of the roads on the island.

MS. SIROKY directed attention to slide 12 entitled, "PCN Deletions," which illustrated that efficiencies in FY15 reduced positions in administration and support, and design and engineering services. She said this demonstrates that the department looked elsewhere than its direct service providers when it started down the path of reductions. In FY16, she reiterated, DOTPF first looked any place it could before it looked at its direct service providers in highways, aviation and AMHS. By the FY17 projections it was difficult to identify deletions "out of those other parts of the agency."

COMMISSIONER LUIKEN turned to slide 13 entitled, "Delivering-A year of Successes," and said it is an example of how DOTPF responds to - and recovers from - events such as the Dalton Highway flood. In March, the Sag River encroached on the highway and DOTPF led a Unified Command Center of industry, federal, and state partners that ensured the flood had a minimal impact on the operations of the North Slope oil industry. Following the flooding, the road was elevated nine feet from milepost (MP) 414 to MP 397 to prepare for and prevent future road closures in that area.

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REPRESENTATIVE MILLETT asked the commissioner whether he could provide the cost of each event.

COMMISSIONER LUIKEN said yes. He added that some of the costs were defrayed by federal funds.

CO-CHAIR HUGHES commended the department for its response to the Dalton Highway flooding event.

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COMMISSIONER LUIKEN turned to slide 14, which illustrated that in FY15, \$780 million in federal funding was obligated for highways and aviation. It goes without saying, he noted, that DOTPF is a major part of Alaska's construction economy every year. Further, he said, the statewide transportation improvement program (STIP) was updated via an extensive public process. It was fully approved by the Federal Highway Administration, U.S. Department of Transportation, for FY16 through FY19, which will bring approximately \$500 million to the state over the next five years for highways. From those funds, he explained, metropolitan planning organizations in Anchorage and Fairbanks will receive project receipts of \$24 million and \$8 million, respectively.

COMMISSIONER LUIKEN turned to aviation, to relate that there has been growth in cargo and passenger traffic at Ted Stevens Anchorage International Airport and at the Fairbanks International Airport. Anchorage remains the second largest cargo throughput airport in the U.S., and the fifth in the world, he said, and advised that then nine percent cargo growth at the Anchorage airport was achieved over one year; a rate that is expected to continue.

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REPRESENTATIVE MILLETT asked: does the aforementioned nine percent growth represents a trend; and what has growth been over the last five years.

COMMISSIONER LUIKEN informed the committee that after 2008, cargo traffic dropped off for three to four years, as the economy slowed in the Lower-48. However, during the last two years cargo traffic has rebounded, although, he opined, it may never return to the 2008 level.

REPRESENTATIVE MILLETT asked whether the passenger trend has followed the cargo trend in reflecting the economy of the Lower-48.

COMMISSIONER LUIKEN replied that a huge reduction in passenger traffic was not experienced. He related that it has been fairly steady because Alaskans travel approximately eight times more than the residents in the contiguous United States.

CO-CHAIR HUGHES surmised that lower fuel prices will reduce air fares.

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REPRESENTATIVE CLAMAN clarified the prediction that, even with growth, Alaska's air traffic will not again attain the pre-2008 levels.

COMMISSIONER LUIKEN said a return to traffic levels of pre-2008 is not expected.

REPRESENTATIVE CLAMAN observed that the Anchorage airport can facilitate expanded passenger traffic, and unless there is a dramatic increase in cargo traffic, airport expansion will not be needed for a long time.

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COMMISSIONER LUIKEN agreed. He said expansion will depend upon the stakeholder engagement [with the cargo carriers], especially the Asian cargo carriers, and their increases in market share. In response to a follow-up question from Representative Claman, he confirmed that the state dollar match, required to bring in federal dollars, comes from the capital budget. The department encourages the administration to continue to fund a 10 percent match in the capital budget so the state can leverage every federal dollar available.

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COMMISSIONER LUIKEN continued to slide 15, and noted that AMHS generated a record amount of revenue, approximately \$54 million, despite a reduced number of vessels and fewer weeks of service. The costs to run AMHS were reduced by \$5 million, bringing its cost recovery rate up to 33.5 percent, which is 2.5 more than it has typically experienced over the last several years. The marine highway system safely transported over 300,000 passengers and over 100,000 vehicles, which is consistent with the pattern of traffic over the past 30 years. In 2015, over \$500 million worth of contracts were awarded to Alaska based contractors, he reported.

COMMISSIONER LUIKEN assured the committee that DOTPF continues to work as a team on improving at the executive level, and is emphasizing that the department provides service at the leadership level and throughout the organization. Furthermore,

he said, DOTPF will remain communicative and proactive regarding budgetary changes and the effects. For example, the agency issued notices regarding what people should expect regarding winter maintenance, and issued a map showing prioritization of the road system. He stated that the department is focused on its core values: integrity, excellence, and respect. An additional focus is on providing the best possible available transportation system for all Alaskans, whatever the mode. He said focus is being directed towards identifying solutions, demonstrating respect for the public, and facilitating the best use of the budget [slide 16].

2:39:05 PM

CO-CHAIR HUGHES asked whether DOTPF has an open door policy encouraging its employees to suggest ideas to improve efficiency.

COMMISSIONER LUIKEN noted that he would cover that topic later in the presentation. He then explained that DOTPF is leveraging what it has accomplished over the last five years, beginning with its strategic plan, and that a results-based budget and alignment are the logical next steps to creating a more efficient organization.

COMMISSIONER LUIKEN turned to slide 18, and advised that the department operates as one organization - not regionally - which develops trust, teamwork, and results. Commissioner Luiken reviewed the agencies four leadership principles, which are: employees seek to do the best they possibly can every day; results and measurement techniques are used to provide employees with feedback on their performance; leadership influence is recognized, which leads to better decisions; and frontline employees are encouraged to share efficiency ideas from their practical perspective. The department developed the Everyday Lean, or Think Tank Time, whereby employees report their suggestions for greater efficiencies directly to the commissioner; slide 18 illustrated two examples.

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REPRESENTATIVE MILLETT opined that within this administration there has been a limiting amount of direct communication between legislators and DOTPF employees. She remarked:

I guess what I'd like -- like to hear from you Commissioner, is that not only you have an open door

policy with your employees to you. Is there an opportunity that we could hear from you that you're fine with an open door policy for your employees directly to talk to legislators without having ... could we have frank conversations with your employees without fear of retribution ...?

COMMISSIONER LUIKEN said:

We have -- we actually communicated before session, this very thing with our -- with our employees, about what it was that we expected of them. We see them as ambassadors of our organization. I want my employees to talk to people about what they're doing, you know, whether it's good or bad. ... We made it very clear that we expect and encourage them to be engaged with our -- with our legislature.

REPRESENTATIVE STUTES commented that she supports the continuity between the previous and present commissioners. She also complimented the work done by the DOTPF employees in Kodiak and described the team as "stellar," and said some have volunteered their time to ensure necessary work is completed while avoiding increased costs.

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REPRESENTATIVE ORTIZ questioned whether all levels of DOTPF supervisors are aware that the commissioner encourages all types of communication from employees because he was told by AMHS employees that they are not very comfortable about making their comments known to "higher levels." On the other hand, he commended the AHMS staff for meeting with - and listening to - constituents in coastal communities about the importance of the ferry system.

COMMISSIONER LUIKEN responded that at the same time, whenever a vessel was in port, "We would also visit those ships, and so we have really ramped up our engagement with those employees so they can look us in the face, ask us those questions, tell us what they think, and that's something we will continue to do."

REPRESENTATIVE CLAMAN also noted the easy accessibility of DOTPF employees at the Anchorage airport and of AMHS staff.

REPRESENTATIVE MILLETT asked for Commissioner Luiken's opinion on the Port of Anchorage expansion project and its effect on DOTPF road maintenance.

COMMISSIONER LUIKEN responded that DOTPF's only connection with the expansion project is through the roads which provide for the distribution of goods and services to Alaskans.

[2:52:07 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:52 p.m.