

HOUSE FINANCE COMMITTEE
February 15, 2022
1:35 p.m.

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CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson

MEMBERS ABSENT

Representative Adam Wool

ALSO PRESENT

Rob Carpenter, Deputy Commissioner, Department of Transportation and Public Facilities; James Marks, Director, Program Development, Department of Transportation and Public Facilities.

SUMMARY

PRESENTATION: STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM and IIJA OVERVIEW

Co-Chair Merrick reviewed the meeting agenda.

^PRESENTATION: STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM and IIJA OVERVIEW

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ROB CARPENTER, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself and turned the floor over to his colleague.

JAMES MARKS, DIRECTOR, PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, provided a PowerPoint presentation titled "Statewide Transportation Improvement Program and IIJA Overview" (copy on file). He moved to slide 2 and relayed that his presentation would discuss the Statewide Transportation Improvement Program (STIP) and why it was important and necessary. He would also be sharing some new information about the Infrastructure Investment and Jobs Act (IIJA) and the Federal Aid Highways Program (FAHP). He would end his presentation with the plans the Department of Transportation and Public Facilities (DOT) had for the year ahead.

Mr. Marks advanced to slide 3 to offer information on STIP. He read from the slide as follows:

- The STIP is 4-year program required in federal regulations, (23 USC 135 & 23 CFR 450) & (17 AAC 05.155)
- The STIP lists federally funded surface transportation projects in the State
 - must be fiscally constrained
 - must be a public process
 - is approved by FHWA & FTA
- Failure to comply, jeopardize federal funding in Alaska
- State regulations distribute funding and define State programs, notably:
 - National Highway System (NHS)
 - Alaska Highway System (AHS)
 - Community Transportation Program (CTP)
 - Trails and Recreational Access for Alaskans (TRAAK)
- The State maintains a 10+ Year Extended STIP

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Mr. Marks moved to slide 4 and indicated that the STIP was composed of about 25 percent state programs and 75 percent capital improvement projects (CIP). State programs included items such as preservation and maintenance, and CIP

included items such as the National Highways System (NHS) and the Alaska Marine Highway System (AMHS).

Vice-Chair Ortiz referred to the bullet point on slide 3 that specified that the STIP was required to be a public process. He asked for more details about the process.

Mr. Marks replied responded that he would provide a high level overview of the process in the presentation. He explained that notices went out to the public when a new STIP was being developed and there was also a list of STIP contacts that received notices of a new or amended STIP. Additionally, notices were published in at least one news periodical, such as the Anchorage Daily News (ADN). The public comment period would last for about 45 days, during which DOT received the comments and kept a record of the department's response using a comment log.

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Vice-Chair Ortiz asked if the public process had been steady over the years. He wondered if there had been more or less public participation recently.

Mr. Marks answered that the participation waxed and waned. He stated that there was significant interest in IIJA, and there was an increase in participation when new IIJA information was released.

Co-Chair Merrick noted that Representative Rasmussen had joined the meeting.

Representative Johnson asked for details about the STIP process in unorganized boroughs.

Mr. Marks replied that he had a slide later in his presentation that addressed the various STIP cycles in unorganized boroughs.

Representative Edgmon asked how the STIP process and IIJA interacted. He was curious how IIJA and other new federal programs would affect the work done by DOT and the legislature. He shared that there was strong interest in his district about the federal funding.

Mr. Marks answered that there was a slide that addressed the matter later in the presentation. He relayed that DOT

was trying to manage expectations and emphasized that IIJA was a re-authorization and not a relief act.

Representative Carpenter asked for a definition of the Community Transportation Program (CTP) and the Transportation Alternatives Program (TAP), which were listed on the slide as examples of CIPs. He thought the public would be familiar with the other CIP examples on the slide.

Mr. Marks responded that CTP and TAP were the interfaces used by the public or by public officials in order to nominate projects.

Representative Carpenter asked if TAP was a subcategory.

Mr. Marks replied that the regulations were a bit out of date. He explained that TAP was the new federal program and involved funding for components such as bike and pedestrian facilities. There was a carve-out for recreational trails, but it usually was transferred to the jurisdiction of the Department of Natural Resources (DNR).

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Mr. Marks advanced to slide 5 showing an illustration of the STIP process. The box in the upper left corner showed how the needs for a project might be sourced. The department collected a variety of data as part of its function, such as performance and condition data of the roads or the socioeconomic needs of the area. All identified needs went into a database which moved the process along to the needs evaluation and management category on the slide. He explained that when funding was identified and holes in funding began to appear, the department would do a call for projects, which was the next step in the process. He pointed to the group icon at the top of the slide indicating when the public was notified, solicited, or otherwise involved in the development process. The public was first notified when there was intent to apply for funding for a project. Defining the criteria for a project and releasing an intent to apply was important because both needed to be in place before a project could be submitted.

Mr. Marks continued that the project started to take shape once the notice of intent was released, and engineering and

field work would begin. There would be some discussion between the planning staff, engineering staff, and the sponsor of a project on whether the department believed the project would be viable. Once the projects were submitted, the department would hold a Project Evaluation Board (PEB) meeting. The board would score, rank, and prioritize projects in a public meeting. There were a number of factors that would determine if a project would go forward, such as fiscal constraint and overall priorities.

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Representative Rasmussen asked for more information on the expected timelines of the process. She was curious how long a project would remain in each phase of the process.

Mr. Marks replied that each of the phases reflected a particular period of time. Sourcing, evaluating, and managing needs was an ongoing process that was always occurring. He reported that the call for projects phase would typically take approximately 14 to 16 months. The department has tried to condense the process, but any further condensing would reduce the public comment period. The STIP was updated every two years and would soon be updated to the 2022 through 2025 version of the process. However, there were amendment cycles within the process which triggered the public comment procedure to begin again. The amendment process took roughly 90 days and involved changes to the scope or cost of the project.

Representative Rasmussen was curious about the relationship between public roads and population changes. She understood that if a new subdivision was built in Anchorage and there was no direct access to a state road, it would not trigger a state traffic study. She relayed that Sand Lake in Anchorage was currently dealing with increased traffic due to new developments but there had not been any traffic studies because the developments were not directly accessible by state roads. She asked how the legislature and department might collaborate in order to improve the process.

Mr. Marks responded that the department incorporated land use planning and other planning in its evaluation process. There needed to be a balance in the urban centers of the state and there was already some collaboration between the

department and Anchorage Metropolitan Area Transportation Solutions (AMATS).

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Vice-Chair Ortiz asked for a description of the steps involved in the STIP in relation to the Tustumena vessel replacement project. He noted that the legislature put forward a "state match" for the Tustumena project in 2018 in anticipation of incoming federal dollars. However, the project did not move forward. He understood that the STIP was the reason for the stagnation of the project.

Mr. Carpenter stated his understanding that there were some issues related to the Buy American Act that prevented construction of the Tustumena Replacement Vessel (TRV). The project was recently moved out of the STIP and was set to be revisited in the 2024 STIP cycle. However, there would be an upcoming amendment that would likely move the project up into construction in 2023.

Vice-Chair Ortiz asked if there was awareness of Buy American issues in 2018 when the appropriation for the state match was made.

Mr. Carpenter replied that he would follow up on the question. There had been delays and the project was still in the design stage in 2018.

Vice-Chair Ortiz asked whether any administration had the power to step in and determine which projects would move forward in the STIP.

Mr. Carpenter replied, "To an extent." He explained that regional planning chiefs were consulted in the process and timeliness and relevancy of the projects were considered. Adding projects to the STIP and delaying others was a balancing act.

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Representative LeBon asked if Mr. Marks was familiar with a roundabout project near Chena Hot Springs in Fairbanks.

Mr. Marks responded that he was somewhat familiar.

Representative LeBon thought the project seemed to have a substantial amount of public pushback. He asked if it was common for a project to go through the process and receive a lot of pushback once it was open to public comment. He asked if it was possible for the public to halt a project once it had reached the comment stage.

Mr. Marks replied that the department received the question frequently and it put together a lengthy response for the House Transportation Committee that included a list of the projects that had been canceled due to negative public comment. However, the department was required to move forward with a project once federal funds were committed or it would have to pay the funds back. He relayed that DOT seriously considered the public's response to a project and it sometimes resulted in projects getting canceled. He offered to provide more details about the roundabout project to Representative LeBon.

Representative LeBon suggested that federal funds had already been committed to the roundabout project and it was "beyond the point of no return" despite pushback from the public.

Mr. Carpenter responded that one of the factors that would override public comment was safety. He relayed that the department's safety engineers determined that the project was in the best interest of the state. The federal commitment was not a priority to him, and he thought that the STIP should be reexamined every year.

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Representative Thompson commented that Kinross Gold Corporation was hauling heavy loads from Tok to Fairbanks and beyond on a daily basis. He noted that there were plans to add more passing lanes along the road and asked if heavy hauling activity was taken into consideration in the planning of road update projects.

Mr. Marks would not be touching on the specific project, but it was under discussion and various options were being considered. He confirmed that there was discussion about passing lanes and there was already public concern about the impact of the heavy hauling trucks on the road. He would be happy to provide Representative Thompson with additional information after the meeting.

Representative Thompson would like more information. He thought the issue would be important in the future and would require a substantial amount of funding.

Representative Rasmussen shared that a past constituent of hers had a near fatal accident along the Seward Highway due to rockfall. She asked what was preventing the implementation of the needed repairs along the highway.

Mr. Marks responded there were subprocesses within the STIP that allowed for faster turnaround, particularly in the state project category. He offered reassurance that there were mechanisms in place to speed up the process especially in cases where there were safety concerns.

Representative Rasmussen asked about the timeline for expedited projects.

Mr. Marks replied that it depended on the program. For example, the Highway Safety Improvement Program put together a list of projects once a year that were ranked, evaluated, and scored by safety engineers.

Representative Rasmussen asked if anything precluded the department from looking at a toll for the Seward Highway.

Mr. Marks deferred the question to Mr. Carpenter.

Mr. Carpenter did not believe that there was anything that would prevent the establishment of a toll. He stated the Federal Highway Administration had rules regarding the establishment of tolls, but there were no state rules that he was aware of.

Vice-Chair Ortiz stated that the STIP was a complex process. He asked if projects identified in the capital budget sometimes superseded projects in the STIP.

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Mr. Marks answered it was a balancing act. An important factor was that the STIP was on the federal fiscal year and there was an overlap in the budgets that could create issues. There was some flexibility in the STIP to move projects forward within the four-year window, but the

legislative authority component needed to be considered as well.

Vice-Chair Ortiz asked if some projects would never get addressed and would simply disappear from the STIP.

Mr. Marks replied that it would be very rare for a project to not move forward once the department had committed federal funds to it.

Representative Edgmon asked if projects could be inserted into the general obligation bond package independent of the STIP process.

Mr. Marks replied in the affirmative. He indicated that projects could also be inserted into the process through an amendment or a STIP update.

Representative Edgmon asked for confirmation that there was discretion involved in the general obligation bond package determination and projects did not need to be in the STIP.

Mr. Marks responded, "Absolutely." He added that building projects under Title 23 required significant resources and time which made project delivery times longer and costs higher.

Mr. Carpenter expanded on Mr. Marks' comments. He reminded members that the STIP was a planning document that was required by the federal government in order to spend federal monies. If a project had received federal funding, the state was required to either move forward with the project or repay the federal government.

Co-Chair Merrick asked for a list of projects that had been halted and the amounts that had to be repaid.

Mr. Carpenter would provide the list.

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Mr. Marks continued to explain slide 5 and the STIP process. The department solicited input from the regional planners and leadership teams at the beginning of a new STIP cycle to determine what changes needed to be made. The plan would then be subjected to fiscal constraint and public comment, then be passed along to the Federal Highway

Administration (FHWA) and the Federal Transit Administration (FTA), and finally the commissioner. There was a small do loop in the process when a minor change to the STIP was proposed, such as an administrative change or a schedule change that resulted in relatively small dollar changes. He explained that small changes only required the approval of the commissioner and would not require the approval of FHWA or FTA. Any changes that altered the scope of a project, canceled a project, or added a project and resulted in a dollar change of 15 percent or more would require a STIP amendment and trigger the public comment process.

Mr. Marks moved to slide 6 to discuss FAHP in relationship to IIJA. He read from the slide as follows:

- Characteristics
 - Federally-Assisted, State-Administered
 - Funding tied to specific systems and programs
 - States or local agencies pay for maintenance and match
- Federal Highway Administration (FHWA) Role
 - Establish national highway policy, regulations, guidance, standards
 - Review and approve state proposals
 - Distribute funds and pay States
- State and Local Role
 - Project conception, planning, design
 - Construction of projects
 - Maintenance & operation of highway

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Mr. Marks advanced to slide 7 and discussed the six steps required to receive FAHP funding. The steps were broken up into the following categories: authorization and appropriation, which were United States Congress actions; apportionment and allocation, which determined how funding was distributed to states; and obligation and outlay, which involved a formal commitment from the federal government. He turned to slide 8 and relayed that the authorization category referred to IIJA. He read from the slide as follows:

- 5 Year Transportation Authorization

- Around \$550 B in new Federal infrastructure investment, including largest investments ever in:
 - public transit
 - dedicated bridge
 - clean water
 - clean energy
 - electric vehicle infrastructure
- ~\$664M for Alaska in Apportionment
- Significant number of Discretionary Grants

Mr. Marks explained that the goal was for the state to work together to compete against the other states in the nation and not to rouse competition between Alaska agencies.

Mr. Marks looked at slide 9 and noted that the appropriation category also referred to IIJA. He elaborated that appropriation happened every year but it was typical for appropriations acts to not be released until December, January, or February. He read from the slide as follows:

- FFY22 Federal Appropriations have not occurred
- Operating under a Continuing Resolution
- Rule-making still underway for new programs, such as:
 - Expanded Eligibility for STBG, HSIP, etc.
 - EV Charging Infrastructure
 - Carbon Reduction program
 - PROTECT formula and grants
 - Ferry Capital and Operating grants

Mr. Marks added that when the state was operating under a Continuing Resolution (CR), the new appropriations were not permitted to begin or be funded. For example, the state was expecting to receive about \$7.8 million for electric vehicle (EV) infrastructure and DOT was working with the Alaska Energy Authority (AEA) to put the required plan in place by August of 2022 for approval by FHWA.

Mr. Marks addressed federal aid highway apportionments on slide 10, which related to the apportionment category. He indicated that apportionments were defined in statute and there were six main programs. The programs and the average percentage of apportionment funding provided through each program was as follows:

- NHPP
 - National Highways Performance Program (~58%)

- STBG
 - Surface Transportation Block Grants (~27%)
- HSIP
 - Highway Safety Improvement Program (~6%)
- CMAQ
 - Congestion Mitigation & Air Quality (~5%)
- NHFP
 - National Highways Freight Program (~3%)
- MPO PL
 - Metropolitan Planning Organization Planning (~1%)

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Representative Carpenter asked what the percentages referred to on slide 10.

Mr. Marks replied the percentages referred to the percentages of apportionment funds that were allocated to the state through each program. For example, 58 percent of Alaska's apportionment funds came through the National Highways Performance Program (NHPP).

Representative Edgmon understood that there would be a federal appropriations vehicle in March of 2022. He wondered if Mr. Marks could provide a sense of what to expect from the incoming funds. He recalled that Mr. Miles Baker had previously provided to the committee a range of \$100 million to \$200 million in expected IIJA funds in calendar year (CY) 22. He asked if DOT was expecting a similar amount of funds and asked if the bulk of the funds were expected to arrive in March of 2022.

Mr. Marks responded that Mr. Baker was correct in that there was a wide range of expected IIJA funds. He offered reassurance that DOT was running a variety of outcomes through its models. There were still a great deal of unknowns and there were more funds that would come to the state in addition to the apportion funds. The question was whether the state would continue to receive the funds it had historically received, and if it did not, how the net totals would be impacted.

Representative Edgmon thought it seemed likely that the unknowns would not be cleared up by the time session ended for the year. He asked if it was a fair assessment.

Mr. Marks replied in the negative. The department was preparing for all possible outcomes and had considered a number of different solutions. He agreed that the department might not be able to implement all of the new programs in the current year, but he believed the state was well prepared regardless of what happened in March.

Representative Edgmon recalled that in 2019, the capital budget was not passed until July. He suggested that projects might have been pushed to the following year due to construction deadlines if the legislature had waited much longer to pass the budget. He thought history could repeat itself if there were still a significant number of unknowns by the time session was set to adjourn on May 18, 2022.

Mr. Carpenter shared that later slides would display more detail on the estimated amounts the state would receive in apportionment. The most significant unknown was the allocations, which would be detailed in the appropriations act once it was released. He expected the state to receive around \$140 million. He was confident the funds would come but agreed that if the funds came later in the year some projects might have to be pushed back to the following year.

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Co-Chair Merrick recalled that there had been a discussion about staffing in a previous meeting. She asked if DOT would need additional staff to assist with the incoming IIJA money. She had heard that the department would specifically need more grant writers. She wondered if IIJA money could be used to pay for administrative costs.

Mr. Carpenter answered there would be an impact especially on programming and processing duties. He hoped to supply the legislature with an infrastructure proposal bill in the near future. He agreed that more grant writers would be needed.

Co-Chair Merrick looked forward to the proposal.

Representative Carpenter asked if the administration could work with the legislature to access additional funding if it became available.

Mr. Carpenter answered that the Legislative Budget and Audit Committee (LB&A) was technically supposed to approve unexpected revenue. If there was a large redistribution of funds in August of 2022, the department could ask LB&A to approve the use of the money.

Mr. Marks moved to slide 11 and highlighted the statutory apportionment formula. First, a lump sum for all apportioned programs and states would be set, then the state's total would be calculated, then the funds would be distributed among the state's apportioned programs. Of the \$52.5 billion in federal funds that would be distributed nation-wide, \$664.3 million would be designated for Alaska. The funds would then be distributed to the programs with identified needs.

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Representative LeBon asked for a description of the statutory apportionment formula. He asked if it was population based or need based.

Mr. Marks responded that the formula had never changed, and it was referenced whenever a new transportation related bill was put forth. He believed the formula process was established around 1999 and was based on a number of factors, such as population, density, and road miles. There were some provisions specific to Alaska that were worked into the formula because the combination of the state's large land area and small population disrupted the formula. Alaska received a disproportionate amount of funding relative to the amount of gas excise tax that it distributed to the Highway Trust Fund (HTF). Alaska fared well according to the formula.

Mr. Marks turned to slide 12 and discussed Alaska apportionments over time. He relayed that FY 21 was an anomaly due to the influx of American Rescue Plan Act (ARPA) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds. On average, the state had anywhere from \$550 million to \$615 million in apportioned and allocated funds. He explained that the \$100 million number listed under allocated funds for FY 22 was a conservative estimate and the minimum expected amount. There were some known amounts, but it was possible that the state would receive additional funds outside of the known amounts. Although \$100 million was estimated, it was

expected that the state would receive closer to \$140 million to \$160 million in allocated funds.

Mr. Marks turned to the table on slide 13 which illustrated Alaska's apportionments and set-asides by program. It was important to understand that the programs under the federal highway apportionments were "carved up" before Alaska was granted access to the funds. For example, 2 percent of each program's funding was reserved for planning costs. The state did not enact some federal laws such as open container and repeat offender laws, and penalty funds were taken from the Surface Transportation Block Grants (STBG) as a result. He indicated that slide 13 illustrated the third round of carve-outs from the programs that occurred before the state was granted access. The purpose of the slide was to show that not all programs were growing at the same rate, and that the programs that were growing were not growing in areas that were considered discretionary. He stated there were new eligibilities under IIJA related to things like ice roads and wildlife mitigation, and all new eligibilities fell under the STBG program.

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Mr. Marks looked at slide 14 and discussed what Alaska would have received from FY 22 to FY 26 if IIJA had not existed. The department created models based on Federal State and Technology (FAST) levels in the past and adjusted for inflation. On average, the modeling found that the state would have received about \$2.9 billion over the five year period, while IIJA offered \$3.4 billion. The \$540 million difference was all new money that the state would not receive without IIJA. He explained that 32 percent of the new money would be dedicated to the new programs listed on the slide, which he would discuss in detail later. He added that 42 percent of the funding was in national highways and only 6 percent would come through STBG.

Vice-Chair Ortiz asked if the 41.9 percent growth that was expected for the national highway program included the Alaska Marine Highway System (AMHS).

Mr. Marks responded that AMHS was on the national highway system and therefore highway funds could be used for the ferries.

Vice-Chair Ortiz asked for clarification that AMHS was included in the 41.9 percent growth rate.

Mr. Marks replied that the funds could be used to fund components of AMHS but the funds were not specific to ferry boats.

Vice-Chair Ortiz stated he had heard in a subcommittee had that \$135 million of IIJA funds was budgeted for AMHS operations. He understood that the funds came from a \$200 million annual nationwide appropriation and Alaska would qualify for the majority of the money. He asked if the money was part of the national highways apportionments.

Mr. Marks answered in the negative. He indicated that the funds specific to the ferry system were a discretionary grant and would be in addition to the national highways apportionments.

Representative Edgmon recalled that the congressional delegation spoke before the House Labor and Commerce Committee a few weeks prior and a member had commented that a tremendous amount of money would be coming to Alaska. He appreciated the breakout of the funds in the presentation and thought the amount seemed far more modest. He asked how he could reconcile the varying perceptions of the magnitude of the money. He asked what he was missing because the numbers seemed to be contradictory.

Mr. Marks answered that there would be IIJA funds coming into the state through other agencies and other avenues apart from DOT. There were also some estimates and models that were including the discretionary grants in the totals. He would have to see the numbers to confirm, but some projections assumed that Alaska would be receiving a portion of the discretionary grants coming from outside of FHWA.

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Representative Edgmon asked if the legislature could expect some of the grant money to come through FHWA.

Mr. Marks responded in the affirmative.

Representative Josephson asked for a description on the "Protect (new)" line on slide 14.

Mr. Marks responded that there were two new federal programs included on the slide. He explained that the Protect program helped make infrastructure more resilient after natural disasters. For example, there was a provision in the program that looked at community impacts, evacuation routes, and access to emergency facilities. The other new program provided funding for the reduction of carbon. He indicated that it was different than the existing program Congestion Mitigation and Air Quality (CMAQ) in that the carbon reduction program funds could be used anywhere in the state. Conversely, CMAQ funds had to be used in a defined nonattainment area or maintenance area.

Mr. Marks moved to slide 15 titled "Surface Transportation Block Grants" and read from it as follows:

- Most Flexible FAHP Funds
- New Eligibilities, including but not limited to:
 - Ice Roads & Seasonal Road Maintenance
 - Wildlife-vehicle Collision Mitigation & Remediation
 - EV Charging Infrastructure
 - Rural Barge Landing, Dock, Waterfront Infrastructure Travel & Tourism Enhancement
- Limited New Money
 - STBG Increase from FFY21 - FFY22 ~6.7%
 - Inflation from Jan. 2021 to Jan. 2022 was 7.0%

Vice-Chair Ortiz asked about the category of EV charging infrastructure. He asked if local municipalities would apply for EV funding and if so, would the application process be through DOT or through the federal government.

Mr. Marks responded that because EV infrastructure was under STBG funding, it would fall under the community transportation program. There were two possible scenarios: a community could nominate a project using FAHP, or DOT could coordinate efforts with the EV program, which would be more plan-driven. In the second scenario, a municipality would need to identify corridors and develop plans to apply for funding. He acknowledged that the rules were stringent and made it difficult for large rural states to implement projects due to the requirement to build an EV charging station every 50 miles. The first scenario would allow for more flexibility and would better fit Alaska's needs.

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Vice-Chair Ortiz asked for the amount of more flexible FAHP funds that were available for EV charging infrastructure purposes.

Mr. Marks answered there was no set amount. The program was under STBG, which included a long list of eligible items.

Co-Chair Merrick asked if the breakdown would be included in Mr. Marks' forthcoming proposal.

Mr. Marks asked if Co-Chair Merrick was referring to the capital budget.

Co-Chair Merrick clarified she was interested to know which projects DOT was suggesting that the legislature fund.

Mr. Marks responded that the projects would be listed in the proposal. Some projects like the EV charging infrastructure might be included in the budget as a program because there were few guidelines and plans currently available.

Co-Chair Merrick saw that AEA had requested \$1.5 million in the capital budget to install EV charging stations across the state. She assumed the requested funds would be in addition to the IIJA funds.

Mr. Marks did not know the nature of AEA's request, but DOT was coordinating with AEA. He relayed that he and the DOT commissioner would be meeting with AEA's executive director within the next few weeks.

Co-Chair Merrick stated legislators were always curious when multi-phase plans were mentioned.

Representative Edgmon recalled that Mr. Miles Baker reported that there was around \$22 million for five years for the rural barge landing, dock, and waterfront infrastructure project. He asked if his understanding was correct.

Mr. Marks answered that he did not have the number reported by Mr. Baker. However, he expected the state would receive around \$142 million through STBG once the appropriations

were passed. The funds could be used for a variety of purposes and were not divided into categories.

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Representative Edgmon stated that he could have misremembered and did not want to misquote anyone. He stated that a community in his district had a request for a breakwater and asked how the project would get in the queue.

Mr. Marks answered that the request would go through the community transportation program. He indicated that DOT would do a call for projects and evaluate the criteria of the various project requests to determine which projects would go forward.

Representative Edgmon surmised that it was unknown if the state would receive the full \$142 million in the March appropriations vehicle, and the projects that would be eligible for the funds were the projects that were already in the queue. He thought the next year would be more competitive.

Representative Thompson referred to slide 14 and stated that Fairbanks had the worst air quality in the state. He asked if Fairbanks would be eligible to apply for carbon reduction funds.

Mr. Marks responded that the details were still unknown. Traditionally, metropolitan planning organizations (MPO) could not nominate individual projects for the state, but the rules had become less stringently enforced in the federal government.

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Vice-Chair Ortiz asked if there was a portion of IIJA funds that would be directed to municipalities directly and would allow collaboration with the federal government.

Mr. Marks replied, "Both." He elaborated that the MPOs received \$3 million in planning funds which were distributed according to a formula. The capital program was funded through a variety of sources, including the STBG. Funds from STBG and TAP were received in population sub-allocations. A portion of funds received through STBG were

designated for areas with a population greater than 200,000; therefore, the funds were given to AMATS. He expected that the fund amounts would see an increase of about 6 to 7 percent. Municipalities could also apply for discretionary grants, and there was a strong preference in the current federal administration to connect with local communities directly. The FHWA had gone from managing 52 states and some MPOs to managing over 60,000 eligible direct recipients. There was significant federal concern about how to handle the increase, and FHWA was hiring from 700 to 1,000 new employees to help manage the increased workload.

Representative Carpenter referred to slide 14 and asked what the state matching requirement would be. He wondered if federal funds would involve a matching requirement as well.

Mr. Marks responded that there would be a matching requirement for both fund types. He elaborated that Alaska had benefited from a sliding scale system that only required the state pay a 9.3 percent match for most of the programs on the slide. There were some programs that did not require that Alaska provide matching funds at all. Other states typically paid upwards of 20 percent per match.

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Representative Carpenter referred to the column on slide 14 that showed the expected IIJA funds for FY 22 through FY 26 by program. He noted that the total of all the IIJA funds was expected to be around \$340 million over the next five years. He asked if his assessment of the planning factor was correct.

Mr. Marks explained that the number that should be used for planning purposes was the \$340 million total extrapolated out. He noted that the state would receive additional allocated funds totaling around \$140 million which would also require a match and need to be considered in the calculations.

Representative Carpenter thought the \$764 million figure on slide 12 referred to state funds.

Mr. Marks clarified the figure was federal funds.

Representative Carpenter asked if Mr. Marks was suggesting that calculating 10 percent of \$764 million over five years would elicit a more accurate total.

Mr. Marks responded in the affirmative.

Representative Josephson commented that he had seen increasingly smaller capital budgets since the recession in 2014 and the state's match had averaged around \$150 million. He asked if the estimated \$764 million would be in addition to the modest amount in the capital budget and if the \$764 million would be incorporated every year.

Mr. Marks responded that DOT's modeling factored in 2 percent inflation every year and modeled the figures out over five years.

Representative Josephson commented that oil was currently at \$90 per barrel and next year it would be at \$40 per barrel.

Co-Chair Merrick noted a document detailing AEA's electrical vehicle infrastructure plan (copy on file) had been handed out.

Representative Carpenter asked what the difference was between the FAST and IIJA budgets on slides 13 and 14. He thought the \$764 million match would be in addition to the \$150 million that was typically in the capital budget.

Mr. Marks answered that slide 14 only showed apportioned funds, however the state received more in allocated funds that was not included on the slide. The slide intended to demonstrate the programs through which the money was being delivered to the state. In terms of total match requirement, the apportioned and the allocated amounts would both need to be considered, and there would be a matching component involved in forthcoming discretionary grants as well.

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Vice-Chair Ortiz understood that the governor had suggested an obligation of \$125 million in the budget. He asked if the \$125 million figure would cover any amount of the other matching requirements.

Mr. Carpenter answered that the budget did not include matching funds. He explained that DOT had presented the budget as a placeholder.

Vice-Chair Ortiz asked if there would be some obligation funds for FY 22 or FY 23 that would need to be included in the capital budget.

Mr. Carpenter agreed there would be an amendment to address the increased funding level.

Mr. Marks turned briefly to slide 16 to address FAHP allocations. He explained that the slide gave some examples of what the allocations could be. He moved to slide 17 and spoke to the obligation limit. The concept could be confusing, and he offered a metaphor to help: if apportionment was the fish in the ocean, the obligation limit would be the catch limit. The obligation limit dictated the upper spending limit that could be utilized in a given year. Apportionment lasted for four years, and any unused amounts would roll into the following year. However, the department had to use the obligation limit by September 30, 2022 or the funds would return to the original source. Roughly half of DOT's funding came from NHPP, about a quarter came from STBG, and a variety of other funding sources rounded out the portfolio. The obligation limit for Alaska was nine, therefore funds could originate from no more than nine funding sources. However, he relayed that the amounts would vary from year to year.

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Mr. Marks moved to slide 18 and addressed the year ahead. He indicated that DOT conducted a survey of over 2,000 Alaskans on how the funds should be allocated. The department would be conducting a second, more targeted round of the survey soon. He added that grant coordination was also being discussed by the department, as well as standing up a clearinghouse. Due to the increase in direct recipient eligibility, there were many questions on how to get a project approved. There were a couple of different options circulating to create a way to triage and curate projects. Significant outreach, coordination, and collaboration efforts would also be increasing over the next year and the next STIP cycle would begin within the following few months. Additionally, DOT was implementing an "eSTIP," or electronic STIP, which seemed to be the future

of the STIP. He explained that the eSTIP would be map-based and automated to make the process as easy as possible. He addressed the eSTIP on slides 19 and 20. There would be a large public portal to allow for public involvement and every project would be plotted on a map of the state. The department was also considering implementing a public comment component in order to facilitate discussion and allow the department to respond to comments within the eSTIP itself.

3:23:08 PM

Representative Johnson referenced her earlier question related to the STIP process and unorganized boroughs. She asked who to contact for information about the STIP process in an unorganized borough with no community planner.

Mr. Marks replied that the department had another slide showing a planner map that he could provide to the committee. He explained the state was broken up into regions, each region was further subdivided, and an area planner was assigned to each area. The map showed names and contact information for every area or borough, even those that were not organized.

Representative Johnson asked if the area managers had meetings in the assigned community and whether the managers were state employees.

Mr. Marks replied affirmatively. Each region should be maintaining a planning list so that the area manager could reach out to solicit input when a new STIP process or an amendment was put forth.

Representative Carpenter looked at slide 17 and asked if there was a dollar amount associated with the obligation amount. He asked if DOT had considered using the Alaska Regional Development Organizations (ARDOR) to distribute information to the public. He noted that ARDOR was indispensable in circulating information to the public about the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

Mr. Marks replied that the department was typically given 90 percent of the obligation limitation relative to the apportionment amount. The obligation limit expired at the end of September every year, and if a state thought it

would be unable to use the funds by the end of the year, the federal government would reshuffle the funds to states that were ready. The reshuffling was referred to as August redistribution and was an important factor when considering the obligation limit.

Vice-Chair Ortiz asked how IIJA would impact the STIP process. He wondered if the committee would hear more information about it later on.

Mr. Marks replied that the department would have to spend time reprogramming the STIP because changes needed to be made every time new programs were released. There were projects currently in the STIP that could be rearranged to relieve some of the strain on the NHS. Some new eligibilities could be a standalone program, such as carbon reduction, and some eligibilities may make it into the community transportation program. He indicated that IIJA would be incremental in a number of facets of the STIP and in other plans as well.

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Representative Edgmon understood that he needed to benchmark any new funds coming through DOT against the amounts the programs would have produced regardless of any new funds.

Mr. Marks replied affirmatively.

Representative Edgmon thanked the presenters for the helpful presentation.

Co-Chair Merrick thanked the presenters. She reviewed the schedule for the following day.

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ADJOURNMENT

[3:30:19 PM](#)

The meeting was adjourned at 3:30 p.m.