

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

January 25, 2022

1:01 p.m.

MEMBERS PRESENT

Representative Grier Hopkins, Chair
Representative Sara Hannan, Vice Chair
Representative Harriet Drummond
Representative Tom McKay
Representative Kevin McCabe
Representative Mike Cronk
Representative Louise Stutes

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Dan Ortiz
Representative George Rauscher
Representative Mel Gillis

COMMITTEE CALENDAR

OVERVIEW: STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM (STIP)
AND INFRASTRUCTURE INVESTMENT & JOBS ACT (IIJA) FORMULA

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

RYAN ANDERSON, Commissioner Designee
Office of the Commissioner
Department of Transportation and Public Facilities
Juneau, Alaska

POSITION STATEMENT: Introduced the Statewide Transportation
Improvement Program.

JAMES MARKS, Director
Division of Program Development and Statewide Planning

Department of Transportation and Public Facilities
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint, titled "Statewide Transportation Improvement Program and IIJA Overview."

ROB CARPENTER, Deputy Commissioner
Office of the Commissioner
Department of Transportation and Public Facilities
Juneau, Alaska

POSITION STATEMENT: Answered questions during the overview of the Statewide Transportation Improvement Program.

ACTION NARRATIVE

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CHAIR GRIER HOPKINS called the House Transportation Standing Committee meeting to order at 1:01 p.m. Representatives Drummond, McKay, McCabe, Cronk, Stutes, and Hopkins were present at the call to order. Representative Hannan arrived as the meeting was in progress.

OVERVIEW: Statewide Transportation Improvement Program (STIP) and Infrastructure Investment & Jobs Act (IIJA) Formula

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CHAIR HOPKINS announced that the only order of business would be an overview of the Statewide Transportation Improvement Program and Infrastructure Investment and Jobs Act formula.

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RYAN ANDERSON, Commissioner Designee, Department of Transportation and Public Facilities (DOT&PF) provided introductory remarks on the Statewide Transportation Improvement Program (STIP).

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JAMES MARKS, Director, Division of Program Development and Statewide Planning, Department of Transportation and Public Facilities, presented a PowerPoint, titled "Statewide Transportation Improvement Program and IIJA Overview" [hard copy included in the committee packet]. He said that the presentation covers the state and federal regulations governing STIP and the project-development process. He stated he would

also give an overview of the Federal Aid Highways Program (FAHP). He began by explaining that in order for the state to receive federal funds for surface transportation projects under STIP, these projects must be fiscally constrained, solicit public input, and be approved by the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA). He pointed out that state projects are broken down into the National Highway System (NHS), Alaska Highway System (AHS), Community Transportation Program, and Trails and Recreational Access for Alaskans.

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MR. MARKS stated that, except for preservation or minor rehabilitation projects, STIP project delivery time runs around 4 to 8 years. He explained that a [10-plus] year program of projects is maintained in order to understand total project costs. Explaining STIP composition, he said it is broken down into state programs and capital improvement programs. State programs comprise 25 percent of STIP, and these include programs for preservation, maintenance, safety, bridges, culverts, and rail and freight transit. The remaining 75 percent of STIP is in regulation for capital-improvement programs, which include NHS, AHS, and the Alaska Marine Highway System (AMHS).

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MR. MARKS pointed out that slide 4 shows the simplified STIP process for developing projects and soliciting public input. He stated that the department keeps a maintenance schedule by evaluating the following factors: socioeconomic, safety, corridor, military, and local. Once the needs are determined, input will be solicited and collected for evaluation. He said that the next step is the call for projects, which begins with the listing of criteria on the department's website, along with online public notices. This involves input from stakeholders, local sponsors, and regions within DOT&PF. He described the exchange between the STIP team and stakeholders as taking a significant amount of time. He stated that the input received could include projects from previous years, preservation needs, or new programs. He stated that the projects will be put together into nomination packages. After the Project Evaluation Board reviews the packages, notices for public input will be sent out, and a prioritized list will be created. Fiscal constraint and delivery timelines will be evaluated, and project selection will occur. He stated that by regulation a new STIP requires significant public involvement.

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MR. MARKS, in response to a series of committee questions, stated that projects are created once they have been evaluated, as seen in the last cycle depicted on slide 4. He responded that once everything is funded each year, the total STIP amount would be between \$1 billion and \$1.2 billion per year. He added that this is not just for surface transportation projects. He referenced a larger list of projects which does not have an accurate price tag because the estimations have not been made. He explained that, because of project delivery and cost estimation, this is a 10-year program; however, STIP is a four-year program updated every two to three years. He said STIP is a four-year program, so the funding would be around \$4 billion.

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MR. MARKS, responding to committee questions, stated that STIP funding for projects can be updated at the end of the process; however, funding changes can happen at different times. Depending on the size, he said, the change can be made within DOT&PF in a quick process. If the change is big, the process would involve a STIP amendment. He stated that this occurs whenever a project is added or deleted from the four-year plan, a change to the scope is made, or there has been a remarkable cost increase. He added that this type of change would start the public notice cycle again. Concerning transparency, he responded that STIP is a published document, with all active, current, and historical projects published on the website. In response to further questioning, he stated the STIP has been around for decades, with the biggest changes involving transparency and public involvement. He stated that the biggest STIP had been the Cooper Landing bypass, which was over \$500 million. Concerning the committee's discussion on the Richardson Highway's funding for overpasses, he responded that, with the potential influx of funds and the various scenarios available to the state, the flexibility of STIP funds is being considered.

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MR. MARKS directed attention to funding through FAHP and how this interacts with IIJA. He stated that this is important for understanding the constraints and the requirements of STIP. He said FAHP is a federally assisted and state administered program, and it is tied to specific systems and programs where

states or local agencies pay for maintenance and the match requirements. He stated that FHWA establishes national highway policy, regulations, and guidance. It also approves state proposals and distributes funds, as STIP is an example of this. He added that state and local governments are responsible for project conception, planning, design, construction, and maintenance and operation of highways.

MR. MARKS stated that the six major steps in FAHP are authorization, appropriation, apportionment, allocation, obligation, and outlay. He said confusion arises when associating these terms to the funding amount available to the state. He remarked that the U.S. Congress's two actions are authorizing transportation programs and appropriating funds. The authorization of these programs is through IIJA every five years, while the appropriations are passed yearly, assigning money to each program. From here the apportionment is done by the U.S. Department of Transportation (DoT). He stated that six main apportionment programs are statutory in nature, while allocations are the other funding programs not in statute. He described the obligation step as "nebulous" and said it would be discussed at a later time. He described outlays as reimbursements to the states.

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MR. MARKS, in response to a series of committee questions, stated there is already a statute for authorization and apportionment by the U.S. Congress, and DoT would put the apportionment through a prescribed formula for money distribution to the states. He responded that apportionment formulas usually do not change; however, there have been changes in IIJA which will be reviewed later in the presentation. He continued that STIP is built to follow the formulas, and the total dollars are balanced to each program, but funding can be moved around.

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MR. MARKS explained that IIJA is a five-year transportation authorization, providing around \$550 billion in new federal infrastructure funding, with around one-half going to transportation. He stated that this is an investment in public transit, bridges, clean water, clean energy, and electric vehicle infrastructure. He stated that Alaska's apportionment is around \$646 million each year. He said the major change in

IIJA is the amount of discretionary grants available, of which Alaska stands to benefit.

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MR. MARKS, in response to a series of committee questions on the discretionary grant program, gave examples of discretionary grants in IIJA, which are the two ferry grant programs that address electrification and rural ferries. He responded that, if a specific appropriation is already in STIP for a project, discretionary grant projects can be added to this. He responded that the discretion would be up to the DoT agency.

MR. MARKS, turning focus to the federal appropriations, stated that this is the budget that gets passed once a year. Discussing the current year's process in detail, he said the rulemaking for the current year is still underway, as eligibility has been expanded for certain programs. He stated that these programs include electric vehicle infrastructure, carbon reduction, ferry capital and operating grants, and the Promoting Resilient Operations for Transformative, Efficient and Cost-Saving Transportation (PROTECT) formula, which addresses resiliency in terms of weather events.

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MR. MARKS, in response to committee questions, stated that if the rulemaking process is not complete by August, and funding does not come through, executing the STIP program would be difficult, as it operates on the federal fiscal year, and all funding must be spent by the end of September. He said typically these budgets are passed by the end of February. Concerning lead-up work to receiving the funding, he responded that DOT&PF has ongoing discussions concerning scenarios and different tools that can be used for different funding timelines. He said one tool is a concept called "advanced construction." With this a project can begin, subject to reimbursement.

MR. MARKS, in response to a line of questioning on ferry capital funding, stated that the rulemaking process is still being conducted, but the department is "hopeful" the funding for the new Tustumena is in STIP. He pointed out the discretionary grant money for rural ferries could be used; however, this would be for operating costs, not capital costs. He stated the capital costs for the Tustumena replacement fund are in the 10-year plan, and the state appropriations still exist for this.

He responded that there are federal funds programmed for the new ferry, but it has not gone to construction yet.

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ROB CARPENTER, Deputy Commissioner, Department of Transportation and Public Facilities, joined the discussion on the new Tustumena. He stated that the new vessel's funding is technically outside of STIP, but it is in the 10-year plan. He advised that STIP is a planning document, and when the federal government gives approval, the money can be spent. At this point, the plan for construction is ongoing, but there is no revenue behind it. The department is speaking with a contractor about the final design looking at the options for funding sources. He reiterated that there is a plan for the funding, but there has not been a point in time when funds were needed because of construction delays.

MR. MARKS explained that the ferry project is one year out of STIP, but once at the construction stage the project will be moved directly into STIP. He stated that the new Tustumena is currently in the four-year STIP plan, but the new construction phase is outside of this timeframe because it was unclear when development of the project would be ready.

MR. CARPENTER responded that the answer to the funding question is not an easy one, as the planned revenue for the vessel had been reprogrammed at some point. He responded that there is already money appropriated for the replacement ferry in state-matched funds, but the federal expenditure authority is real money only once construction begins. In reference to last year's funding, he stated that it had been "in the sweep." He stated that it went into the AMHS fund, not the general fund.

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MR. MARKS, moving the discussion to FAHP apportionments, said formulas are used to determine the percentage of funding for the following programs: National Highways Performance Program (NHPP), Surface Transportation Block Grants (STBG), Highway Safety Improvement Program (HSIP), Congestion Mitigation and Air Quality (CMAQ), National Highways Freight Program (NHFP), and Metropolitan Planning Organization Planning (MPO PL).

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MR. MARKS, responding to a series of questions on MPOs, stated he would follow up after the meeting concerning the Municipal Separate Storm Sewer System issues in the Matanuska-Susitna Valley. Concerning whether DOT&PF has been working on regional planning entities for rural and unorganized municipalities, he responded that there have been discussions with the Alaska Municipal League, the commissioner, and some of the communities. Some challenges have been addressed, with some steps developed concerning the design of a regional transportation organization. He stated that the commissioner intends to proceed with this discussion. He responded that the federal definition of "metropolitan" in MPO is based on population and density. This had been one of the issues with the Matanuska-Susitna Valley, as it reached population thresholds but not density. In response to an additional question regarding threshold amounts, he said because they vary, he would follow up with an answer. He affirmed that the only areas that qualify as MPOs would be Anchorage, Fairbanks, and the Matanuska-Susitna Valley. In response to a committee question concerning the listed entities' involvement, he described the following examples: NHPP has to be used on a designated NHS project; STBGs are flexible funds which can be used on the state's projects, as opposed to only federal projects; HSIP collects data on highway fatalities and injuries; CMAQ is an air quality funding source used only for maintenance; NHFP is connected with specific corridor projects; and MPO funds come from other sub-allocated funding sources, such as STGB. Concerning the money Alaska gets for the NHFP, he responded that this would be addressed on the next slide.

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MR. MARKS listed the steps in the apportionment formula. The first step is that the funding for the entire nation is determined by an appropriations Act, or IIJA. In step 2, the funding is put through the formulas and distributed to the states, with Alaska's share being \$664 million. In step 3, the funds are distributed to the programs.

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MR. MARKS, in response to a committee question, stated DOT&PF would work with the Department of Environmental Conservation (DEC) on air quality issues in the state. He stated that air quality money is the most restricted, and the apportionment may not be fully used. He continued that DOT&PF would work with DEC on the behavioral side, such as public education programs. He discussed the funding CMAQ receives per year, which is a

graduated amount based off the inflation factor. He addressed a committee question concerning the requirement to spend funds which have gone through apportionment. He explained that this is one of the questions that causes confusion because of the difference between apportionment and obligation limit. He said that, generally, apportionment is good for four years, and it does roll over, but he would discuss this along with the obligation aspect further in the presentation.

MR. MARKS, in response to a series of questions concerning the NHFP in Alaska, stated that this deals with the established freight corridors connecting the major veins in between ports and airports. He stated that the department is in the middle of updating its long-range transportation plan and freight plan. Responding to a follow-up question, he stated that the industry leaders would help establish the corridor network, but they would not determine funding levels. He responded that NHFP is for all modes of transportation in the state, not just asphalt. He noted the freight plan, membership list, and projects updates are all listed on the department's website. He responded that NHFP and DOT&PF both would help establish routes and appropriate funding for freight projects. He added that the freight program is also in NHS, so this funding is paired with NHPP, otherwise there would not be enough funding for big projects.

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MR. CARPENTER, in the detailed discussion concerning the stability of the Port of Alaska in Anchorage, responded to a series of questions. He stated that the funding for rebuilding ports is restricted and can be used only for certain port expenditures. Per the state's recourse on this issue, he responded that the governor has introduced a general obligation bond bill which contains money for the Port of Alaska in Anchorage. This is a combination appropriation with Port MacKenzie. He responded that he does not know how ports in other states are funded.

[Committee members noted the seriousness of the issues concerning the Port of Alaska in Anchorage and Port MacKenzie, and the opinion was discussed that the money in the governor's bill would not be enough to make the needed repairs.]

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MR. MARKS directed attention to the apportionments made overtime in Alaska, as seen on slide 12. He advised that the current

amount of funding is unclear because Congress has not yet passed the budget. He stated that including the relief funds, Alaska will receive an estimated \$160 million annually. In response to a committee question, he said the funding will grow over the next five years, but the specific number is unknown. He responded that there would be funds for workforce training through DOT&PF. He pointed out how the apportionment would be broken down among programs. He noted that each of the programs did not grow at the same rate, and he discussed these numbers and differences between the programs. Focusing on STBG, he stated that these are the most flexible funds and can be used in places which do not qualify for federal funding. He said that some eligibilities have been added, so the program has been increased. He listed these as wildlife-vehicle collision mitigation and remediation, electric vehicle charging infrastructure, rural barge landings, docks, waterfront infrastructure, and travel and tourism enhancement. He stated that STBG increased around 13 percent for the year, while inflation was at 7 percent. Responding to a committee question, he stated that the brand-new eligibilities are not in STIP, as guidelines are still being developed. He continued that the funding would depend on project-delivery timelines, as the programming of STBG funds is four years out, coinciding with the estimated projects delivery dates.

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MR. MARKS pointed out examples of allocated funds in FAHP, which included funds for ferry boats, discretionary grants, earmarks, and emergency relief. He stated that, because Congress has not completed the budget, the amount of additional funds is unknown, and a conservative estimate would be \$100 million. In response to a committee question, he stated that the discretionary grant application process is competitive and determined by DoT, while emergency funds come directly to the state as an earmark; however, the highway infrastructure programs have nationwide formulas. He stated that each one of these programs has its own method for distributing funds. In response to a question concerning emergency relief funds, he stated that these funds are for natural disasters, like earthquakes, flooding, and landslides. He said if there is a bridge strike, the money would be received from a state appropriation. He continued that, on the federal side, emergency relief is determined on a case-by-case basis, and there is not "just a pot sitting there."

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MR. MARKS addressed the term "obligation limit" used in reference to federal funding. In comparing apportionments and allocations, he stated that this functions like a "catch limit." He used the allegory of commercial fishing with the different varieties of fish in the sea, which are allocated on a year-by-year basis in portions which can be utilized. He stated that obligation limitation concerns the shelf life and the percentage of what would be used. He stated that the obligation limit would be 90 percent of the apportionment funding. He noted that apportionments would last four years, while obligation limits, which come in one-year portions, must be spent by September 30. In response to a committee question, he clarified that the four-year limit applies to apportionment. He continued that obligation funding is currently an unknown, but it will be around 90 percent of \$664 million in apportionments. This is specific to statutory apportionments and does not affect the allocations. He explained that the state can spend 90 percent of the \$664 million.

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MR. MARKS addressed some of the major activities that will be seen over the next year. He stated that the new programs will be emphasized, especially with the discretionary grants and other new eligibilities. Outreach efforts will be ramped up, and a second, more interactive survey will be conducted on the state's priorities and needs. He referred to the funding holes in the 10-year plan, which need to be filled, so there will be a call for projects, and a new STIP will be starting with the new electronic STIP or "eSTIP," which will address efficiency and effectiveness.

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CHAIR HOPKINS requested multiple follow-up documents.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:48 p.m.