

HOUSE FINANCE COMMITTEE
April 25, 2023
1:38 p.m.

1:38:16 PM

CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 1:38 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Ryan Anderson, Commissioner, Department of Transportation and Public Facilities; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

SUMMARY

HB 40 APPROP: CAPITAL/SUPPLEMENTAL

HB 40 was HEARD and HELD in committee for further consideration.

PRESENTATION: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ON CAPITAL PROJECTS

Co-Chair Edgmon reviewed the meeting agenda.

#hb40

HOUSE BILL NO. 40

"An Act making appropriations, including capital appropriations and other appropriations; making supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

^PRESENTATION: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES ON CAPITAL PROJECTS

1:40:04 PM

RYAN ANDERSON, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself and offered opening remarks. He communicated that the FY 24 Capital Budget was one of the highest ever for the department due to the approximately \$1.8 billion infusion of federal money. He wanted to make the most of the investment opportunities and make improvements across the state. He presented the PowerPoint presentation "FY 2024 Capital Program Overview" dated April 25, 2023 (copy on file).

1:41:09 PM

Commissioner Anderson moved to Slide 1 titled "Alaska's Transportation Share." He explained that the bar graph reflected the federal revenue from 2019 through 2023 that was broken down in a chart at the bottom of the slide. He pointed to the Federal Highways Formula Funds data and reported that it was the "staple" of DOT funding. The Federal Highways Allocations were funding specifically directed by the Federal Highway Administration (FHA) for things like the Highway Safety Improvement Program regarding highway safety and the Carbon Reduction Program, etc. He highlighted that the FHA, Federal Aviation Program, and Federal Transit Program numbers depicted the overall increase in federal funding overtime. He noted that the 2024 figures were not included because the funds had not yet been allocated but the Department of Transportation and Public Facilities (DOT) was anticipating roughly \$1.5 billion in revenue due to success in obtaining discretionary grants and other increases from the Infrastructure Investment and Jobs Act (IIJA). He

reiterated that he wanted to take full advantage of the IIJA funding and shared that the department was working hard on that goal. He communicated that when the act was first announced the department embarked on arduous research on how to make the most of the funding and programming. In addition, the department reached out to the public to hear what citizens wanted for transportation infrastructure resulting in identifying 5 investment areas based on the public's input and the governor's priorities.

Commissioner Anderson discussed slide 3 titled "DOT&PF Strategic Investment Areas SFY24 Governor Amend Capital Program:"

Safety: A safe and secure transportation system with a focus on reducing fatalities and serious injuries in our transportation corridors, recognizing trends, and establishing programs, projects, and initiatives that move the needle in a positive direction.

State of Good Repair: A seamless and reliable transportation system whose infrastructure's condition is measured systematically with programs and projects focused on a consistently good condition across transportation modes.

Economic Vitality: A healthy and thriving multi-modal transportation system that efficiently moves people, fuel, and freight in order to reduce costs and enhance economic development and provides for infrastructure to access the Alaskan outdoors.

Resiliency: An agile and resilient transportation system that protects communities against extreme weather and climate trends, service disruptions and other risks, and is able to adapt and recover when disruptions do occur.

Sustainable Transportation: A modern and sustainable transportation system that facilitates reduced costs of energy, cleaner air, and reduced greenhouse gas emissions.

Commissioner Anderson underlined that the pie chart on the slide showed the amount (percent) of investment each strategic investment areas would receive in FY 24. He turned to slide 4 titled "Diversified Investments." He

explained that DOT developed a new online system called "APEX" Alaska Project Exchange that connected Alaska with construction information. The public could log on and find a listing of the projects in Alaska that would be constructed that included the extent and location of each project. He added that the website would be expanded but currently included information by census area, borough, municipality, and House or Senate districts.

[1:46:44 PM](#)

Representative Ortiz asked if APEX was related to the Statewide Transportation Improvement Program (STIP). Commissioner Anderson responded that the department was trying to work on an electronic version of the STIP, which would include outyears. He furthered that APEX was specifically oriented to what projects would be constructed in the current year. The further projects were forecasted out in the future the more schedules shifted and changed. The APEX project listings were based on established funding and some projects were already ongoing.

[1:47:59 PM](#)

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself. He continued on slide 5 titled "FY2024 Governor's Amended:"

\$1.8B - Capital Budget Overview

- \$777M - Surface Transportation Program, 127 Allocations
 - \$4.8M (OTHER) / \$772.2M (FED)
- \$386.4M - Airport Improvement Program, 50 Allocations
 - \$19.5M (OTHER) / \$366.9M (FED)
- \$196.5M - Statewide Federal Programs, 8 Allocations
 - \$10M (OTHER) / \$185.5M (FED)
- \$283.9M - Rural Ferry Program, 6 Allocations
 - \$2.1M (DGF) / \$281.8M (FED)
- \$118M - Federal Program Match, 4 Allocations

□ \$108.7 (UGF) / \$1M (DGF) / \$8.4M (OTHER)

- \$68.3M - State Funded and Named Projects, 6 Appropriations

□ \$4.8M (UGF) / \$22M (DGF) / \$41.4M (OTHER)

Mr. Pannone indicated that the slide provided a high level overview of the FY 24 governor's amended budget request. The request had 11 appropriations with many suballocations. The first five bullets denoted the federal capital programs administered annually by DOT. He elaborated that each of the appropriations had allocations within them that were either a project, specific program, and objective tied to funding, grants, or other directed use. The final bullet represented the six appropriations that were state funded and named projects.

Co-Chair Edgmon noted that Representative Tomaszewski had joined the meeting. He commented that in the prior year the legislature discovered that much of the IIJA money was going to go through existing programs that had been "beefed up." He noted that at the time much of the information regarding funding was incomplete or unknown. He offered the commissioner the opportunity to provide comments from the prior perspective to what actually happened.

Commissioner Anderson responded that many of the programs had indeed been "beefed up." He communicated that a few surprises happened since the IIJA funding information was fully refined. Inflation had eaten into some of the anticipated funding increases. However, for the larger programs like safety and road repair the funding resulted in increased construction in the current year. He reported that under the Resiliency investment area the department worked hard to obtain funding for communities for protection against erosion, etc. In addition, the department was procuring carbon reduction funds for things like port electrification in Southeast Alaska and looking at ways in which DOT could contribute to economic vitality. He offered that DOT staff and its consulting partners had succeeded in building the overall program and was successful in project delivery; the department was delivering a record number of projects in the current year and following year.

[1:52:48 PM](#)

Representative Hannan pointed to slide 5 and noted that the first three bullets included only federal and other funding. She asked if there was any state match for the top three appropriations. She observed that the following appropriations included Undesignated General Funds (UGF) and Designated General Funds (DGF). Mr. Pannone responded that the first three represented federal funds and other funds. He delineated that the match for the first three appropriations were pooled into the fifth bullet point appropriation, which was how the budget was structured. The Federal Program Match totaling \$108.7 million in UGF, varied based on the allocations within the top three appropriations. Representative Hannan asked about the rural ferry program. She thought that the match needed to be much higher than the \$2.1 million DGF denoted on the slide. She asked if it was the entirety of the necessary match to receive the \$281.8 million in federal funding. Mr. Pannone replied that the Rural Ferry Grants were included in both capital and operating grants. He elucidated that the operating grant required a 50 percent match. The slide only reflected the 5 capital projects related to capital improvements and for some of the projects the match was already appropriated. In addition, DOT was using a novel funding tool called "match credits," which authorized using federal dollars in lieu of state matching funds.

[1:55:55 PM](#)

Co-Chair Edgmon asked if the department was in the process of interpreting what the programmatic funding needs were for the federal funding streams. MR. Pannone answered that DOT knew the amount of match it needed for the anticipated revenue. The match was calculated based on the known revenues. He indicated that discretionary grants were introduced in IIJA. The grants were competitive, and the department was not seeking match funding for grants not yet awarded. The department had alluded to the issue in the prior year.

Representative Ortiz noted that he did not recall the term rural ferry being used in prior years versus the Alaska Marine Highway System (AMHS). He wondered if the two were the same. Mr. Pannone responded that it was a new program and appropriation that housed the newly available IIJA funding DOT received from the Federal Transit Administration for AMHS.

1:58:08 PM

Commissioner Anderson reviewed slide 6 titled "Surface Transportation Program:"

Program Highlights and Priorities

- Program Development: Statewide Transportation Improvement Plan

Program Total	\$858,514.0
SDPR	\$4,776.2
Federal Rcpts.	\$772,237.8
UGF (Match)	\$81,500.0

- Safety
 - Highway Safety Improvement Program
 - Bridge and Tunnel Inventory, Inspection, Monitoring
 - Rock Slope Stabilization Program
 - Winter Trail Marking
- State of Good Repair
 - Pavement and Bridge Preservation
- Economic Vitality
 - Ice Roads & Seasonal Roads Maintenance Program
 - Statewide Wayside Improvement Program
- Resiliency
 - Bridge Scour Monitoring and Retrofit
- Sustainable Transportation
 - Electric Vehicle Infrastructure
 - iWays
 - Light up the Highways

Commissioner Anderson remarked that the slide contained the highlights for programs and projects that were on the horizon. He explained that the Rock Slope Failure Stabilization Program was new due to the increased prevalence of the slope failures around the state. The Winter Trail Marking Program was an established program where DOT worked with local communities to support marking the trails for increased safety. Pavement and Bridge Preservation was a large program utilizing the Maintenance

and Operation staff in repair work. He offered that the Ice Roads & Seasonal Roads Maintenance Program was a new program through IIJA, and 10 communities had applied for the funding and were awarded, resulting in ice road building in the current winter. The program would double in size in the FY 24 budget to \$4 million. The Statewide Wayside Improvement Program was new and would focus on waysides across the state for improvement and building new waysides. He indicated that there was a "suite" of new sustainable transportation programs like iWAYS that incorporated the use of technology in transportation systems. Light up the Highways would switch all highway lighting across the state to LED over several years, resulting in decreased operational expenses.

[2:02:03 PM](#)

Representative Hannan cited the slide and asked what bridge scour meant. Commissioner Anderson responded that as rivers changed course, they scour the material on the bed of a river away from bridge foundations. The department had to ensure the bridges were safe.

[2:02:49 PM](#)

Representative Galvin asked what the goal for the electric vehicle infrastructure was. In addition, she remarked on the state of disrepair on roads from frost heaves exacerbated by climate issues especially in communities like Bethel. She had hoped to see the issue addressed under sustainability. Commissioner Anderson replied that there were many projects that could be classified under resiliency, and he included frost heaves in that category. He furthered that there were more opportunities under resiliency coming out every day and informed Representative Galvin of a new discretionary grant under the IIJA called the Protect Program that was focused on resiliency and increases in funding was forthcoming for roads and infrastructure protection. He addressed Electric Vehicle Infrastructure and shared that the department was partnering with the Alaska Electric Association (AEA). The department was not an expert in power and was looking to support entities like AEA and transfer funding to them. They were examining project bundling opportunities for things like port electrification. The department was taking initiative on electric vehicle charging starting with the Anchorage and Fairbanks International Airports.

[2:06:21 PM](#)

Commissioner Anderson moved to slide 7 titled "Surface Transportation Program (cont'd)" that included more project highlights:

Project Highlights and Priorities

- Western
 - Bethel Chief Eddie Hoffman Highway Rehabilitation
 - Nome Seppala Drive

- Interior
 - Airport Way South Cushman Intersection
 - Bridges: Gerstle River, Johnson River, Chena Flood Control, Dalton Hwy Hammond River
 - Richardson Highway MP 266-341 Passing Lanes

- Mat Su
 - Knik Goose Bay Road Reconstruction Centaur Avenue to Vine Road
 - Bogard Road at Engstrom/Green Forest Drive;
Wasilla Fishhook Road / Main Street
 - Big Lake Road MP 0-3.6 / Fairview Loop

- Southeast
 - Hoonah Harbor Way Pedestrian Improvements And Pitt Island Cemetery Walkway
 - Prince of Wales Neck Lake Road Reconstruction
 - Haines Highway Reconstruction

- South Central
 - Gambell/Ingra Streets Improvements
 - Sterling Highway MP 45-60
 - Cordova Whitshed Road

Commissioner Anderson offered that there were many other projects in the budget. All the projects listed were repair, safety, and improvement projects. He noted that the Interior bridges were prioritized due to their condition and age.

Representative Stapp asked how long the Gerstle River and Johnson River had been on the STIP. Commissioner Anderson was unsure and would return to the committee with the information. He relayed that they were large bridges had been raised in priority in the past, but with the current additional funding it was the appropriate time to address the need. Representative Stapp asked about the funding match. He wondered if it was a consistent ratio and whether DOT was leveraging the same amount of money. He noticed that there was no general fund requirement for any of the projects in the capital budget. Mr. Pannone responded it was generally 9.5 to 1 ratio for the FHA. He elaborated that there were certain projects that were 2 to 8 ratio.

[2:10:58 PM](#)

Representative Josephson related that there were a number of critics regarding the listed Interior bridges. He inquired whether the bridges were on the list to support the Tetlin mine and asked if the administration was candid about the topic. Commissioner Anderson replied that the bridges were old and with the realization that activity could be increased with the mine DOT prioritized them. Currently, the load volumes were very low with 200 to 400 hundred vehicles crossing each day versus 15 thousand to 20 thousand bridge crossings per day in the Matanuska-Susitna Valley (MAT-SU). The potential for increased road volume was considered and the assessment was a typical function of DOT that resulted in a typical outcome. Representative Josephson asked if there was opportunity for people in the Interior to comment on the parts of HB 40. He wondered if citizens had the chance to voice their concerns before it was placed in the budget. Commissioner Anderson responded that there were opportunities for the public comment through the STIP and the Capital Budget process. In addition, DOT had a Tetlin to Fort Knox committee that afforded the public a comment period.

[2:13:54 PM](#)

Co-Chair Johnson referenced the STIP. She asked if the STIP there was published on a regular schedule. Commissioner Anderson replied that since there was a current 2020 to 2023 schedule in effect, the department only made changes to the STIP. The amendments were published on an irregular basis. He indicated that the department was in the process of building a new three year STIP for 2024 and the process

would include public outreach. Co-Chair Johnson reported that her district was not listed on APEX. She relayed issues regarding the old Glenn Highway and warned that 2 subdivisions were being built connected to the Highway with hundreds of new homes. She thought that it was frightening considering how long it took projects to move through the STIP. She asked if he could explain the process of how projects were included on the STIP. Commissioner Anderson responded that there was a process that began by recognizing a need moving to construction of the project. He explained that the department collected data on things like traffic volumes, etc. and the public would also reach out and communicate needs. Depending on the type of road the process was different. Roads on the National Highway System were addressed directly by DOT. Roads not on the federal system were assessed differently when allocating funds. He emphasized that DOT listened to the citizenry on the various needs across the state. State roads were maintained by the department and roads off the state highway system were addressed through the Community Transportation Program where DOT solicited projects from communities. The projects were scored and prioritized and included on the STIP. Once on the STIP, the project went through a project delivery process that included environmental, right-of-way requirements, etc. that could affect the timeframe of the project. Co-Chair Johnson asked how long it took on average from a project beginning until funding it. Commissioner Anderson answered it took three to six months to be placed on the STIP. A straightforward project could be completed in 3 to 4 years, complications stretched out the timeframe.

[2:20:17 PM](#)

Co-Chair Edgmon noted that there was a list of all of the Capital projects in committee packets titled "DOTPF FY 2024 Capital Requests" (copy on file). There were 199 projects on the list.

Representative Ortiz asked if the committee would be speaking about the list. He wanted to ask a question. Mr. Pannone responded that he did not think there was time to go through all 199 projects. The presentation highlighted projects from each program. Representative Ortiz pointed to item 5, the Rural Ferry Program for \$68.5 million for the Tustumena Replacement Vessel. He asked who DOT was requesting the money from. Mr. Pannone responded that the

item was the federal authority DOT was requesting from the legislature to receive and expend the rural ferry grants.

[2:22:22 PM](#)

Representative Galvin asked about process. She was focused on two locations with a record of accidents. She wondered how much flexibility existed in the STIP. She referred to the Seward Highway in the Midtown and Tutor Road areas in Anchorage where the need had changed due to the pandemic. She wondered how much flexibility there would be because the data became outdated. Commissioner Anderson replied that DOT tracked the data and reached out to local communities and was currently working to improve the areas. He Ensured that the department was listening and paying attention to traffic volumes, changing needs, etc. He pointed out that nationwide DOTs were no longer highway departments and were viewed as transportation departments and were looking at things from a transportation corridor perspective. He shared that in the areas she mentioned the department was focused on pedestrian improvements.

[2:25:48 PM](#)

Representative Cronk asked whether the Gerstle River and Johson River bridges were the oldest in the state. Commissioner Anderson answered that they were the oldest on the primary highway system. Representative Cronk learned that the bridges were 79 years old and felt they were past due their time for being rebuilt. Commissioner Anderson agreed with the statement. He remarked that there was an added danger on bridges with an overhead truss system and that there were many good reasons for replacement.

[2:26:59 PM](#)

Commissioner Anderson continued on slide 8 titled "Airport Improvement Program:"

Program Highlights and Priorities

Program Total \$420,671.4
Int. Airport \$19,532.2
Federal Rcpts. \$366,896.1
UGF (Match) \$25,888.6
Int. Air. (Match) \$8,354.4

- Project Selection:
 - Alaska Aviation System Plan
 - Aviation Project Evaluation Board

- \$96M - International Airport Projects
 - FIA Lighting, Apron Improvements, Deicing Projects
 - TSAIA Airfield Pavement Reconstruction, Dispatch Relocation

- \$324M - Rural Airport Projects
 - Runway Improvements in Adak, Buckland, Chevak, Deering, Kotzebue, Kwigillingok, Nightmute, and Unalaska
 - Lighting Projects in Chenega and Talkeetna
 - Seaplane Improvements in Ketchikan and Hydaburg
 - Building improvements in False Pass, King Salmon, Mountain Village, Seward, and Valdez
 - Terminal Improvements in Ketchikan and Sitka
 - Fencing Project in Deadhorse / Yakutat Automated Wildlife Detection System

Commissioner Anderson indicated that DOT had a robust airport program. The department employed the Alaska Aviation System Plan, similar to the STIP, which guided the airport improvement program. The Aviation Project Evaluation Board evaluated and scored projects and was part of the project selection process. He briefly listed the projects denoted on the slide.

[2:28:51 PM](#)

Mr. Pannone examined slide 9 titled "Statewide Federal Programs:"

Program Highlights and Priorities

Program Total \$197,813.0
 UGF \$1,023.5
 Federal Rcpts. \$185,489.5
 SDPR \$25,888.6
 UGF (Match) \$1,300.0

- \$32M - Federal Transit Administration Grants
 - 11 Rural Transit Providers

- \$8M - Highway Safety Grants

- Public Outreach and Education Campaigns
- Enforcement
- \$125M - Nome Emergency Repairs from West Coast Alaska Storm
 - 100% Federal
 - FHWA Eligibilities: Nome Council, Teller, Nome Front Street
 - PROTECT Program: Local communities eligible
- \$6.5M - Commercial Vehicle Enforcement Program
 - 9 Weigh Stations - Scale Repairs and Improvements
 - Permitting System Upgrades

Mr. Pannone explained that the slide depicted all of the other federal programs that were not part of the categories already discussed. He detailed that the largest part of the other federal programs was the Federal Transit Administration Grants provided to relatively small transit agencies that provided rural transport. The funds were granted to 11 rural transit providers. He briefly listed the remaining programs.

[2:30:21 PM](#)

Representative Hannan asked about highway safety. She referenced a law passed in the prior year that allowed four wheelers and snowmachines access to roads unless the community specifically excluded it. She did not support the bill out of safety concerns. She shared that her concern was over increase in accidents and asked if accidents had increased. Commissioner Anderson responded that there had not been a marked increase in accidents related to four wheelers and snowmachines over the past year. The department wanted to design lanes that accommodate the types of vehicles, so they do not have to use the roads. Representative Hannan was happy to hear that accidents did not increase.

[2:32:00 PM](#)

Mr. Pannone advanced to slide 10 titled "Rural Ferry Program:"

Program Highlights and Priorities

Program Total \$283,925.4

Vessel Repl. \$2,147.9
Federal Rcpts. \$281,777.5

- \$46.2M - Climate Responsive Ferry Vessel Options
 - Electric Ferry

- \$8.6M - Design of a New Alaska Mainliner

- \$45.5M - Critical Upgrades to Ferry Dock Infrastructure in Five Rural Alaska Communities
 - Auke Bay, Chenega, Pelican, Tatitlek, Cordova
 - FTA Conversations on-going

- \$68.5M - M/V Tustumena Replacement Vessel
 - Phase 1: Focus on Propulsion System

- \$72M - Vessel Modernization
 - Kennicott, Tazlina, Matanuska, Columbia

Mr. Pannone reported that the Rural Ferry Program was included in Section 7-1102 and Section 7-1102 of IIJA. The first section was structured specifically so only the Alaska Marine Highway System (AMHS) could qualify and the second section was written for ferry electrification and an electric ferry pilot program. The department applied for the ferry grant program and received a significant amount as listed on the slide. He provided a brief listing of the projects.

[2:34:17 PM](#)

Representative Stapp related that he was unfamiliar with the concept of an electric ferry. He wondered what the long-term operational costs would be for an electric ferry. Commissioner Anderson responded that the hope was that it would help reduce operational costs. The type of ferry would be used for short runs. The department had embarked on a research project and would ultimately make a trial run on an electric ferry to ensure it worked. Representative Stapp asked if the study would occur first or the purchase of the ship. Commissioner Anderson answered that DOT was currently undertaking the study and it would be purchasing a ferry.

[2:36:05 PM](#)

Representative Hannan pointed to vessel modernization and asked what would be modernized on the Tazlina, which was one of the newest ferries. She wondered whether it was the installation of crew quarters. Commissioner Anderson replied in the affirmative.

[2:36:38 PM](#)

Mr. Pannone discussed slide 11 titled "Rural Ferry Program (cont'd):"

Program Highlights and Priorities

- \$40.1M - Federal Toll Credits for Match
 - Toll Credits use 100% Fed Revenue
 - Earned from AMHS Revenues reinvested as capital improvements
 - Potential for over \$42M of credits earned over the last five years alone

- Novel Funding Tool
 - Started in 1992 through Federal Highway Administration
 - Toll Credits Accepted by Federal Transit Administration
 - Including Legislative Finance Division in Process

- Used by Washington State Ferries and Numerous Other State DOTs

Mr. Pannone indicated that DOT was looking at creative ways to meet the state match requirement of 20 percent for the rural ferry grants of which \$22 million was necessary. He spoke to the TOLL credits denoted on the slide. He elaborated that it was a program that allowed the state to use toll revenue, AMHS passenger fares, as federal credits if the toll revenue was reinvested as capital improvements in the ferry system. The federal credits were applied and federal revenue supplanted state revenue for matching funds. The state's toll revenue was enough to cover the state match in toll credits. The credits had been established by the FHA in 1992 and were accepted by the Federal Transit Administration (FTA). The department worked with the Legislative Finance Division and were kept informed of all the technical details. The department had consulted with the New Jersey DOT that had many toll roads

and exclusively used toll credits for federal matching funds. In addition, he discovered that the Washington state ferries used toll credits.

Representative Hannan asked whether the FTA had accepted the toll credits or if it was a request to the FTA. Mr. Pannone replied that through their discussions with the FHA and FTA, the department was assured by the FTA that it was a "viable and acceptable practice."

[2:39:57 PM](#)

Mr. Pannone continued on slide 12 titled "State Funded and Named Projects:"

Appropriation Highlights

- Alaska Marine Highway System (AMHS) Vessel Overhaul, annual Certification and Shoreside Facilities Rehabilitation
 - Focus on Advanced Planning and Modernization
 - \$22M AMHS Revenue Fund
- Dalton Highway Delineators Improvements
 - \$2.1M UGF
- Public Building Fund Deferred Maintenance, Renovation, Repair and Equipment
 - \$6.2M Public Building Fund
- State Equipment Fleet Replacement
 - \$35M Highway Equipment Working Capital Fund
- MH: Coordinated Transportation and Vehicles
 - \$1M UGF, \$300k Mental Health Trust Authority Authorized Receipts

Mr. Pannone relayed that the projects in the appropriation typically used state funds, and some were annual requests. He briefly discussed each listing on the slide. He delineated that by using \$22 million in AMHS revenue the state would gain more federal credits. He noted that the final listing provided grants to the Alaska Mental Health Trust Authority (AMHTA) to provide transit for trustees.

[2:41:52 PM](#)

Commissioner Anderson advanced to slide 13 titled "Delivering the Program:"

Project Delivery

- In House Design Engineering and Construction Services
 - 843 Budgeted Positions, approximately 700 filled (17% Vacancy Rate)
 - Includes planners, engineers, environmental analysts, surveyors, right of way agents, procurement staff, and administrative support
- Consultant Services
 - Consultants utilized as part of In-House teams in various capacities
 - 50% -70% typical utilization rate based on project priority and needs
- Construction Contractors:
 - Over \$800M in Awards in FFY2022
 - Anticipate close to \$1B in construction contract awards in FFY2023

Commissioner Anderson briefly described the slide.

[2:43:22 PM](#)

Co-Chair Johnson asked how available the outside contractors were. Commissioner Anderson answered that there had been responsiveness to the bids. He noted that most consultants were busy but not to the point where projects' needs were not filled.

[2:44:35 PM](#)

Commissioner Anderson relayed information related to project delivery. He discussed the series of discretionary grant opportunities that the department aggressively pursued and had so far won some such as the Port Improvement Program. The department applied for \$100 million for the Bridge Improvement Program and were waiting for a reply. In addition, DOT applied for the RAISE program Rebuilding American Infrastructure with Sustainability and Equity. He elucidated that the department's approach was to take projects from the STIP and applied for the discretionary grants making room for other STIP projects to

be prioritized. He mentioned the Promoting Resilient Operations for Transformative, Efficient, and Cost-Saving Transportation (PROTECT) Formula Program with over \$848 million nationwide [to help make surface transportation more resilient to natural hazards and disasters]. In addition, DOT would pursue the Wildlife Crossings Pilot Program (WCPP). He reiterated that the department was not requesting matching funds until a grant was awarded.

[2:46:26 PM](#)

Representative Josephson asked if there were any programs where the state did not receive any funding. Commissioner Anderson responded that there were not any he could recall. The department was seeking \$1 billion in grants, and some had already been applied for and won.

[2:47:16 PM](#)

Mr. Pannone advanced to slide 14 titled "Inflation." He reported that since the pandemic, highway construction costs had increased 30 percent since 2020. However, from 2019 to 2024 there was about an 80 percent increase in federal revenue, which helped him deduce how much of the value went for cost increases.

[2:48:27 PM](#)

Representative Galvin asked how much of a built in number was figured in for things like maintenance. She understood that the new federal programs were beneficial, but she was concerned about deferred maintenance costs in the future. She wondered if there was a specific maintenance number factored in or how the department dealt with ongoing maintenance needs.

Commissioner Anderson replied that some of the new programs would fix current problems or accomplish things that would reduce maintenance costs like replacing existing road lighting with LEDs. The department had been able to find some efficiencies. However, for things like increased lane miles future operational costs would be needed. When they were, DOT attempted to effectively communicate the need to the governor and the legislature.

Co-Chair Edgmon welcomed former Co-Chair of the House Finance Committee, Representative Alan Austerman, who was in the audience.

[2:51:41 PM](#)

Mr. Pannone continued on slide 15 titled "Preliminary Hours by Job, CY 2023." He explained that as part of the strategic modeling on how the department would deliver the capital program it was using AASHTOWare [certified payroll tracking] that accounted for all the information on the projects' project delivery, construction contracts, and professional services. The slide provided an example of the top seven categories of skillsets in workforce needs and the department planned to rely on more of this data for the department as well.

Commissioner Anderson felt positive about the program. He added that by the contractors submitting their certified payroll into AASHTOWare, the system enabled DOT to understand the hours needed to complete a project. Therefore, DOT could start making projections on project costs moving forward. He elucidated that the system was in its infancy but believed that it was a helpful tool and also for understanding the reasons for increased costs.

Co-Chair Edgmon commented on the prior slide [slide 14] and pointed to the 30 percent increase in highway construction costs. He thought that the slide really illustrated that there was a significant difference between increasing costs and an annual valued attached to inflation.

[2:54:26 PM](#)

Commissioner Anderson moved to slide 16 titled "Training: Human Capital Plan." He explained that the plan was part of IIJA and was a workforce development and training plan. The plan attempted to address the challenges of the current labor environment. The plan provided federal dollars for training and other types of activities that supported the workforce to get people back to work. The department was developing its plan and assessing the stresses of the workforce and the needs to build Alaska's transportation system in the future with an adequate workforce.

[2:55:57 PM](#)

Representative Galvin was excited about the plan and believed that the Human Capital Plan was a "roadmap" for the state's educational system and offered students assurance of future jobs. She asked how the department would implement the plan and if they were considering working with educational partners or developing their own trainings. She hoped DOT would implement the plan quickly. Commissioner Anderson answered that DOT was "getting started on this." He indicated that they were partnering with groups like the the Association of General Contractors and the consultant community on the design side and had to consider all aspects of delivering projects. He related that the department would view the educational task as a project by building goals and objectives and allocating funds. He was currently looking at demonstration projects where a rural community built its own roads as a part of a training program. Representative Galvin relayed that 70 percent of students were not going on to a 4-year degree programs and observed them choosing jobs in the trades. She hoped the plan was a success for the opportunity it afforded young people.

[2:59:39 PM](#)

Representative Hannan cited the photo on slide 16 and wanted to confirm that the photograph of kitchen workers represented five licensed mariners working in a skilled agency with an unusual duty station. Commissioner Anderson responded in the affirmative.

Co-Chair Edgmon commented that the UGF required for the capital budget match was about \$109 million. The governor's original capital request was about \$303 million. He asked if the \$109 million figure was accurate. Mr. Pannone answered in the affirmative and added that the amount was the UGF revenue necessary to capture all of the federal funding presented in the slides.

[3:01:27 PM](#)

Representative Cronk thanked Commissioner Anderson for his time and creativity in working with communities in his district to get things done.

Co-Chair Edgmon thanked the congressional delegation for securing the funds. He hoped in future years when the projects were completed Alaskans would see the difference

they made. He noted there was a recent bill to name a Don Young [HB 141- ESTABLISHING DON YOUNG DAY, Chapter 24 SLA 23, 08/26/2023] day and felt it was fitting.

Co-Chair Edgmon reviewed the agenda for the following day's meeting.

HB 40 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

3:03:16 PM

The meeting was adjourned at 3:03 p.m.