

SENATE FINANCE COMMITTEE
February 25, 2025
9:00 a.m.

[9:00:41 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Bert Stedman, Co-Chair
Senator Mike Cronk
Senator James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair

ALSO PRESENT

Ryan Anderson, Commissioner, Department of Transportation and Public Facilities; Ms. Katherine Keith, Deputy Commissioner, Department of Transportation and Public Facilities; Dom Pannone, Director, Program Management and Administration, Department of Transportation and Public Facilities; Christopher Hodgins, Senior Project Manager, Statewide Public Facilities, Department of Transportation and Public Facilities.

SUMMARY

PRESENTATION: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Co-Chair Stedman relayed that the committee would consider a presentation from the Department of Transportation and Public Facilities. He commented on the length of the presentation and noted that the committee would reflect on some challenges with the Statewide Transportation Improvement Program (STIP) and how to move forward.

^PRESENTATION: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

9:02:20 AM

RYAN ANDERSON, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself.

9:02:28 AM

KATHERINE KEITH, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced herself.

Co-Chair Stedman noted that there would be upcoming Department of Transportation and Public Facilities (DOT) budget subcommittee meetings. He thought it would be beneficial to point out some of the department's challenges and discuss solutions to move the department forward.

Commissioner Anderson discussed a presentation entitled "DOT&PF Overview, STIP Update, Large Projects, and Deferred Maintenance" (copy on file). He acknowledged that the presentation was lengthy. He noted that the committee had asked for a streamlined presentation. The department had been asked for a STIP update, including the construction outlook, deferred maintenance discussion, and DOT's FY 26 operating and capital requests.

Ms. Keith looked at slide 2, "PROJECT and PROGRAM FUNDING - STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) AND AIRPORT CAPITAL IMPROVEMENT PROGRAM (ACIP)." She noted that the department had put out the Statewide Transportation Improvement Program (STIP) the previous week for public comment. The STIP Amendment 2 included changes in formatting to the fiscal constraint tables, review of eligibility of fund types, changes to project costs, and changes to years in which the projects occurred. She encouraged members to look at the STIP and make note of the new platform, which had the ability to review and compare Amendment 1 to Amendment 2.

Ms. Keith made note of red and green arrows denoting levels of funding. Formula funding each year amounted to roughly \$850 million. In addition, Federal Highway Administration (FHWA) funds (including carryover funds and Federal Transit Administration [FTA] funds) were roughly \$85 million. The funds came to the department for the railroad and transit

services for Anchorage, Fairbanks, and the Mat-Su Borough area. Also, there were discretionary grants included. The STIP overall had \$6.9 billion in programs over the four years.

Ms. Keith noted that the aviation program was a large part of DOT's delivery. She cited that in FY 24, DOT received approximately \$305 million in funding from entitlements, discretionary programs, and grants that could be seen in FY 25 projects. The funds were not programmed in the STIP but rather were programmed in the Alaska Capital Improvement Program (ACIP).

[9:07:11 AM](#)

Ms. Keith spoke to slide 3, "STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM," which showed a series of graphs and a copy of proposed Amendment 2. She noted that the slide had a quick-response (QR) Code which led to the STIP dashboard. She continued that of the \$6.9 billion programmed over four years, there was \$1.05 billion in discretionary grants through FHA, FTA, and the United States Department of Transportation Office of the Secretary. The department had \$3.6 billion of the funds for construction, with about \$396 million for pre-construction activities. There were altogether 303 individual STIP identifications throughout the program, with 189 individual projects. There were 80 programs that encompassed one or two to over one hundred projects per program.

Ms. Keith referenced slide 4, "STIP TIMELINE," which showed a graphical flow chart depicting the STIP approval path. She pointed out an error on the chart and corrected that the STIP 2024-28 was approved March 27, 2024. She noted that there had been a great deal of dialogue with federal partners, including stakeholder meetings. She noted that Amendment 1 had been a massive resolution of many items that were brought to DOT's attention in federal planning findings after submitting the original STIP. There had been ongoing discourse on items that resulted in resolution of 10 of the 14 items that had been originally called out. The department had continued to resolve the issues and there was a request of both agencies to review DOT's amendment early. The department had provided a draft version of the amendment one month previously, while staff had met with the agencies.

Ms. Keith noted that a large number of the items had been resolved and incorporated in Amendment 2. She explained that other items would take more of a programmatic shift and would be included in the next rolling STIP for 2025 to 2028.

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Co-Chair Stedman asked for more detail on how the STIP was staffed. He noted that historically there had been an employee whose primary job was just the STIP. He asked how the role was structured currently at DOT.

Ms. Keith relayed that there was a large number of positions across the department that had a primary or supporting role in the STIP. She continued that when preparing lists previously there were up to 30 people working on the STIP, and now there was expansion to include transportation planners, pre-construction engineers, and project managers.

Co-Chair Stedman rephrased his question. He recalled one individual, Jeff Otteson, that had been in charge of the STIP. He asked who was currently in charge of the STIP.

Ms. Keith relayed that there were three divisions in the department whose division directors had sole responsibilities within the STIP. She mentioned components of the STIP, including the fiscal constraint and budget, which was the responsibility of Administrative Services Director Dom Pannone. The chief engineer ran the project delivery section, which was concerned with scope, schedule, budget, and cost estimates. The project delivery section also included transportation planners.

Ms. Keith referenced the Data Management and Information Office (DMIO), whose director oversaw the GIS and digital data components. All of the divisions reported to Ms. Keith and the commissioner for overall approval of the document. She emphasized the importance of a team approach that had been utilized for the previous couple of years.

Co-Chair Stedman shared that the legislature had concerns related to challenges with the STIP that had not been seen before. He recognized that there was employee turnover. He asked for more information related to the management of the STIP structure for the last several years.

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Commissioner Anderson expressed that the STIP was different than it was in the days of Jeff Ottesen. He noted that federal programs had become more complex, and federal requirements for a new STIP were an entirely new experience. He thought ultimately the STIP had always rested with the commissioner, and thought it was written in statute.

Co-Chair Stedman recognized that Mr. Otteson had worked under the commissioner.

Senator Kiehl acknowledged that the STIP was bigger and vastly more complex. He thought that Mr. Ottesen had about 50 employees, and contrasted that there were now 30 individuals working on the STIP. He thought that Ms. Keith had expressed that there were some outstanding issues with the federal government that approved the STIP, which were expected to be resolved for the 2025 through 2028 document. He asked if the department expected to have the problems resolved for the current STIP amendment.

Ms. Keith relayed that DOT expected a fully approved STIP Amendment 2, and would be working with partners over the next month during the public comment period to resolve any issues. She explained that the items outstanding were more high-level programmatic issues that the agencies would like to see done differently. She mentioned the example of the way DOT programmed "parent-child" projects. She mentioned a major corridor as a "parent project" and breaking out the project in stages. She reiterated that DOT would be working on the issue to see if the process could be simplified and more efficient. The item was not called out as a finding, but there were things that DOT wanted to continue to improve upon.

[9:17:29 AM](#)

Commissioner Anderson turned to slide 5, "DOT&PF MEETS WITH FEDERAL PARTNERS IN DC FOR CLARIFICATION NOVEMBER 20-21, 2024":

99% of Projects Approved

DOT&PF and LAW met with FHWA and FTA leadership at their Washington, DC headquarters, including FHWA Executive Director Gloria Shepard.

- Richardson Highway Milepost 346: Must be programmed in the STIP not TIP (Transportation Improvement Plan)
- Safer Seward Highway: Allowed to change termini
- 'MUST' Statements (28): Require attention
- 'SHOULD' Statements (38): Lack measurable goal and/or legal requirement
- MPO Engagement Finding: Ongoing; completion measured in stakeholder happiness
- Discretionary Grants: USDOT lacks a comprehensive list requiring inclusion in the STIP

Commissioner Anderson thought the slide spoke to one of Senator Kiehl's comments. He stated that DOT worked with federal partners but also had to take care of Alaskans and would stand up to differences in federal law and regulations. The department was consulting with Department of Law attorneys. He recounted that after Amendment 1, the department had not been happy with some findings, after which staff had visited Washington D.C. to meet at headquarters at FTA and FHWA. There were about 16 staff from the federal agencies, and four state employees that participated in two 4-hour meetings. After the meeting, the FHWA had approved a project (Richardson Highway milepost 346) that it had rejected. The state had disagreed with FHWA's original interpretation but received approval after elevating the issue.

Commissioner Anderson mentioned the Safer Seward Highway project, for which there had been disagreements about state planning authority on National Highway System (NHS) routes. He explained the differences in FHWA "must" and "should" statements as related to findings.

Co-Chair Stedman asked for Commissioner Anderson to touch on advanced construction. He mentioned concerns and diminishment of dollar amounts.

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Commissioner Anderson considered slide 6, "FFY2025 CONSTRUCTION PROGRAM," which showed two tables. He discussed the construction program and noted there had been

a huge focus on DOT and what it was delivering over the summer. He mentioned a four-hour meeting with the Association of General Contractors (AGC). He discussed Advanced Construction (AC), where there was a tool to borrow from future years to enable a project that did not fit into the fiscal constraint of the STIP to engage in construction. He explained that the authorization of AC was in the range of \$400 million. There was a future obligation to the state that would be paid for. He noted that about a year and a half previously the AC balance had increased to about \$550 million to \$600 million. There was discussion about the AC balance and whether the state was comfortable with the threshold. The fund could be revolved and paid down and then more added. The advantage of AC was to be able to fund projects that were shovel-ready.

Commissioner Anderson mentioned a concerted effort over the previous year to pay the AC balance down, and that it had been paid down to about \$400 million. He relayed that there was ongoing discussion with contractors regarding the threshold, and noted that it was possible to put more work on the street by increasing the AC balance.

Senator Kaufman asked about the \$15 million listed on the right-hand table on the slide for "Currently Advertising." He mentioned concerns about not optimizing the construction season because of delays in getting projects out. He asked the commissioner to comment on the issue.

Commissioner Anderson explained that there was a constant revolving schedule in which early steps were completed before getting approval, funding, and advertising the project. Once the package was with FHWA, it could be advertised. He thought \$15 million was the current advertising amount. There were some big projects going through the process, and DOT projected a significant amount of work over the following two months. He noted that DOT was taking steps to accelerate projects. He mentioned that AGC was concerned with getting work on the street before the construction season.

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Senator Kiehl appreciated the commissioner's mention of taking steps to accelerate projects. He asked for the commissioner's confidence level of project bids according to the advertisement schedule.

Commissioner Anderson relayed that staff had put together a list of projects and a confidence-level ranking, that the department had presented to the AGC. He offered to provide the information to the committee. He noted that DOT teams also included consultants across the industry. The struggles with delivery were not just with DOT but also consultants. He made note of a list of Key Issues on the slide:

- Utility Agreements and Buy America Build America
- Bureau of Land Management Highway Easement Deeds
- Late Federal Aviation Administration Grant Awards
- Late Congressional Release of Funds
- Project Cost Increases
- Section 106 Compliance

Commissioner Anderson mentioned supply chain issues and struggles with utility companies that were concerned they could not get compliant materials. He discussed having construction contractors moving utilities. He mentioned the Kenai Spur Highway and the importance of getting the project going.

Senator Kiehl asked if the commissioner had a high, medium, or low confidence that the next two months of things on the tentative schedule out to bid.

Commissioner Anderson had confidence. He acknowledged there could be a utility situation or issue that would need hard work to overcome, but he was going forward confidently.

Senator Kiehl noticed that Commissioner Anderson had discussed the process and the need project by project to get FHWA to sign off. He asked if there were any new difficulties related to cutbacks and staff responsiveness that could lead to issues.

Commissioner Anderson relayed that DOT had been tightening up its protocols for the team that put packages together for FHWA. He had not seen delays yet but had been told that certain fund types or key words (such as carbon reduction) were being held and were possibly going to Washington D.C. for approval. There was also a notice put out that Amendment 2, when submitted after public comment, would also go to Washington D.C. for approval.

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Commissioner Anderson displayed slide 7, "PROJECT DELIVERY," and explained that the new direction for DOT staff was to talk to a supervisor or elevate to higher ranks if there was a problem with a project or "project slippage." He explained that the change had been made within the last month to address project slippage.

Commissioner Anderson discussed the release of funds, and explained that FHWA released money in tranches over the months, and DOT was able to obligate funds as they were available. He described challenges on the FAA side of things, and noted that the previous year the funds were not released until August and September. Typically, FAA grant contracts were not awarded until the funds were in hand, but the department had been assessing the risk and discussing the ways DOT could award contracts prior to grants. He mentioned a grouping of projects that would be shelf-ready by April 1, and DOT would have the ability to advertise the projects if it got assurance that DOT would be reimbursed in the future.

Co-Chair Stedman asked for more details on the August redistribution.

Commissioner Anderson explained that every August for the previous five to ten years, there was a distribution of authority or a limitation. Every year DOT got an apportionment from the federal government, including many fund types. He mentioned Infrastructure Investment and Jobs Act (IIJA) funds. The federal government would give a limitation to allow spending to a certain level. In August there was a distribution of all the limitation from the nation, to whomever had projects that could use the correct fund types. He noted that often there was more apportionment than limitation. He mentioned carry-over funds that were available after not having enough limitation to spend apportioned funds. The August limitation was the way to spend the carry-over funds. In the current year, there was an opportunity for \$120 million for the August re-distribution, and DOT was building its plans for obligating funds. The previous year the department did not have all the projects in the proper fund types and did not do as well as hoped, receiving \$20 million of the \$70 that was anticipated.

[9:35:10 AM](#)

Senator Kiehl asked if using the funds would take a third STIP amendment, or if the items in the baseline and Amendment 2 cover the state for the August distribution.

Ms. Keith relayed that the current Amendment 2 allowed the department to meet the august distribution goals, which would obligate the full \$126 limitation.

Ms. Keith highlighted slide 8, "NORTHERN REGION (NR)," which showed a map of the state's Northern region with current construction projects. She relayed that the projects were highlighted on the Alaska Project Exchange on DOT's website. She mentioned Northern Region projects continuing from previous years as well as new projects for 2025. There was about \$300 million to \$330 million going out in contractor payments for active work in communities, \$55 million of which was going into the Fairbanks metropolitan area. She highlighted highways projects, including several major corridor projects including Alaska Highway milepost 1252 to 1268, multiple segments on the Dalton Highway including milepost 289 to 305, and a Yukon River Bridge re-decking. She mentioned rehabilitation of milepost 51 to 63 on the Elliot Highway, and Richardson Highway milepost 346 Chena Flood Bridgen Project. In rural Alaska there was also a Kotzebue to Cape Blossom project.

Ms. Keith mentioned several airport improvement projects underway, including projects in Chalkyitsik, Marshall, St. Mary's, Buckland, and Deadhorse. She mentioned projects in Nome, Ruby, and Shishmareff. In the Fairbanks area there were multiple Americans with Disabilities Act (ADA) improvement projects in the streets. There were also safety improvements in roundabouts and on the Richardson Highway. She mentioned resurfacing and reconstruction projects.

[9:39:11 AM](#)

Ms. Keith looked at slide 9, "SOUTHWEST ALASKA," which showed a map of the state's Southwest Region with current airport and bridge construction projects. She highlighted airport projects in Kwethluk, Kongiganak, and Nightmute; and bridge projects. There were three bridge replacements in Takotna. She discussed the status of the projects.

Co-Chair Stedman asked Ms. Keith to highlight delays in awarded funds in different regions.

Ms. Keith referenced the table on slide 6 which showed a "Currently Advertising" project total of \$15 million. She noted that there was a bucket of projects that had gone out to bid but were pending award, which was normally about a 60-day period. Currently there were over \$120 million in projects that had been bid but were going through final contracting paperwork, pending award. The department expected the \$120 million to be awarded the following month.

Ms. Keith addressed slide 10, "2025 Construction," which showed maps of the Anchorage Metropolitan Area as well as Eagle River and Chugiak, and a list of 2025 construction projects. She highlighted that there was about \$32 million overall in contract payments happening for new work in the area. She mentioned new projects on Eagle River Loop Road and VFW Road. She listed projects in the Anchorage area. She mentioned safety improvement projects in light of fatalities that had occurred in the last year. Highway safety improvement projects had been added to the Transportation Improvement Program (TIP) in Anchorage.

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Senator Kaufman asked if the slate of projects and funding seemed typical for the projects in the Anchorage area.

Commissioner Anderson thought the department wanted to get back to some of the bigger projects in the area. He mentioned the repaving of the Glenn Highway from Anchorage to Palmer and mentioned needed drainage work. He discussed integrated traffic management features, which would create alternative routes. He mentioned that there were a lot of fund types and there were carried-forward funds that DOT would love to get on the street. He shared that DOT had worked with the Municipality of Anchorage to help getting some projects going and get past obstacles. There were projects in the works that DOT had not been able to deliver.

Co-Chair Stedman asked to address the presentation without listing every individual project.

Commissioner Anderson advanced to slide 11, "ANCHORAGE INTERNATIONAL AIRPORT," which showed a map of Anchorage International Airport with 2025 construction projects. He identified that there was an enormous amount of cargo growth. He stressed that DOT was going to push to expand the airport to accommodate the cargo growth. He mentioned old gate infrastructure.

Commissioner Anderson looked at slide 12, "KENAI PENINSULA," which showed a map of the area with continuing and new projects listed for 2025. He commented on the robust program planned in the Kenai/Soldotna area and near Homer. He noted that some of the projects were highway-safety corridor projects, and some related to longstanding pavement issues near Homer.

Commissioner Anderson showed slide 13, "MAT-SU," which showed a map of the area with continuing and new projects listed for 2025. He commented that Mat-Su also had a robust construction season upcoming. He noted that DOT had established a district office in the area, which had been helpful in getting projects out to deliver. He pointed out pavement rehabilitation planned in the area.

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Ms. Keith referenced slide 14, "SOUTHCOAST REGION," which showed a map of the state's Southcoast Region with current construction projects. She highlighted a Haines Highway project, and Skagway State Street rehabilitation. The Skagway project had seen some delays related to changing processes in the STIP. The delays had necessitated an amendment prior to project award. She pointed out that projects in the Southcoast Region were related to slope stability, rockfall mitigation, culvert replacements, and general rehabilitation and improvement projects.

Co-Chair Stedman asked about the delay in awarding the Haines Highway project, and asked for a synopsis.

Ms. Keith agreed that the Hains project was bid in November and expected it to be awarded as early as the following week.

Co-Chair Stedman hoped for the best.

Senator Cronk discussed the Glenn Highway and reported that there was a section of the road (mile 75 to 90) that was part of the original road. He thought the road was dangerous and wondered when it would be redone.

Commissioner Anderson recounted that the most comments from STIP Amendment 1 had been about the portion of highway mentioned by Senator Cronk. He noted that the project had changes in Amendment 2. There had been challenges for DOT to address but the department was moving forward.

Ms. Keith turned to slide 15, "SOUTHCOAST REGION CONTINUED," and highlighted further projects. There were several safety improvement projects in the Juneau area. There were several major airport improvement projects including a significant number of improvements at Kodiak Airport. There were projects in Sitka, False Pass, Haines, and Wrangell.

[9:50:53 AM](#)

Commissioner Anderson considered slide 16, "AMHS VESSEL REPLACEMENT," which showed a graphic depiction of Alaska Marine Highway System (AMHS) vessels and planned/future vessels. He mentioned the AMHS Long Range Plan, which was scheduled to go out for public notice on Friday. He noted that the plan was done in conjunction with the AMHS Operations Board. He highlighted several projects such as on the M/V Aurora, the M/V Hubbard, the M/V Lituya. The M/V Columbia was currently the one vessel running as a mainliner. The Wi-Fi upgrades had been installed. There had been project for a propulsion upgrade on the M/V Columbia, but after review it would not have any big scheduled overhauls or capital projects.

Commissioner Anderson discussed the M/V Kennicott, which was currently in Everett Shipyards with a \$25 million required emissions and exhaust project. The M/V LeConte was in extended overhaul. He mentioned the assessment in progress on the M/V Matanuska, which was tied up in Ketchikan serving as a hotel ship as it did not meet Coast Guard requirements to serve Alaskans at sea. He continued that DOT had a \$37.5 million grant from the Rural Ferry Program to upgrade the vessel, and pondered what the final upgrade cost would be. There had been estimates as high as \$100 million, and DOT had planned an upcoming meeting with the AMHS Board to discuss the topic.

Commissioner Anderson mentioned a crew quarters project on the M/V Tazlina for about \$20 million. He noted that due to challenges with the LeConte and the extended overhaul, he had asked about staff capabilities of getting the M/V Tazlina up and running to help support North Lynn Canal. He discussed planned/future vessels, including the M/V Tustumena replacement vessel, the new mainliner, and a no/low emissions ferry. He noted that DOT had secured funding for the M/V Tustumena replacement, as well as \$10 million for the new mainliner design, and a \$53 million grant for the new no/low emissions ferry.

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Co-Chair Stedman thought it did not appear as if the Matanuska would sail in the fleet again and encouraged DOT to cut its losses and move on. He thought some wanted to see the ship refurbished to function while waiting for new vessels. He mentioned the option of using the ship as a hotel. He thought the quicker the matter was resolved, the better.

Commissioner Anderson acknowledged that there were challenges with the vessel. He mentioned the M/V Malaspina and affirmed that there would need to be a public process for the M/V Matanuska as well. He explained that the hotel challenges were real and noted that currently there were many people housed by the M/V Matanuska.

Co-Chair Stedman asked about the construction of the M/V Tustumena replacement and the new mainliner, and thought it would be nice to take advantage of any symmetry between the two ships. He asked Commissioner Anderson to address a two-page document addressing grant funds (copy on file), in response to a request from the Legislative Finance Division (LFD). He mentioned concerns with what was happening in Washington D.C. and delivery of funds including funding for Medicaid and schools. He asked the commissioner to address the document and speak to when the funds might arrive in the state's treasury.

9:58:20 AM

DOM PANNONE, DIRECTOR, PROGRAM MANAGEMENT AND ADMINISTRATION, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself.

Co-Chair Stedman appreciated Mr. Pannone putting the document together and thought the document would be addressed at the subcommittee level. He wanted the members to be aware of what was being worked on. He reiterated his concerns with changes in Washington D.C. and delays in funding.

Mr. Pannone explained that the purpose of the document was to illustrate how successful DOT had been in receiving the awards from the program and that there was \$410 million remaining to be awarded in future years.

Co-Chair Stedman asked for Mr. Pannone to explain the program.

Mr. Pannone explained that the program was the Rural Ferry Service Program, which had been part of IIJA. The program had authorized \$200 million annually for five years to be awarded through a discretionary grant program for ferry services that provided service to communities that were separated by 50 sailing miles. He thought AMHS would be a prime recipient of the grants. Over the previous two years, DOT had submitted grant applications for capital projects and for operating funds under the program and had been awarded almost \$540 million.

Co-Chair Stedman asked if the program was successful.

Mr. Pannone answered affirmatively. He noted that some of the awards required the STIP amendment to establish a grant. Until DOT established a grant, there was no contract in place for delivery. He noted that DOT had not yet experienced delays from the FHWA, but had certainly experienced delays from the FTA. Some applications had been pending for a few months. The department was hopeful that the program would be reauthorized in the next transportation bill and continued into the future.

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Co-Chair Stedman pointed out that some of the funds had not been received yet, and understood that the state was funding some issues through the treasury.

Mr. Pannone explained that an established grant was essentially a reimbursement program. For the grants that

were pending, the state had pre-award authority and would get reimbursed for any expenses.

Co-Chair Stedman reasoned that he mentioned the funding structure because the committee was discussing the budget for the following three years and considering cash flow availability for the state. He emphasized that the state could not take the CBR blance to zero. He pondered that if the program was not extended, the state could be in a position of having to backfill about \$70 million in AMHS budget. The budget subcommittee would ponder the issue.

Co-Chair Stedman considered the eventuality of the program not being extended, in which case the state would have to provide significant funds. He thought the committee needed to be aware of the issue and prepare for the eventuality.

Co-Chair Stedman asked if Mr. Pannone had heard anything from the administration regarding the electric ferry between Metlakatla to Ketchikan.

Mr. Pannone relayed that the electric low-emissions ferry was under a separate program under the same law. The department had an established grant for the design of the ferry. He relayed that under normal circumstances, the department continued with the grant agreement, delivered, and got reimbursed for expenses under the established grant.

Co-Chair Stedman encouraged Mr. Pannone to inform the legislature immediately in the event of the program being stopped or delayed. He mentioned concerns with Medicaid and education federal funding. He expressed a desire to track the cash flow and construction of the replacement vessels and the AMHS as the state worked forward to keep the system running.

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Co-Chair Stedman mentioned Letters of Agreement (LOA), which had been utilized to increase salaries and fill holes to have adequate staff in state agencies. He asked if AMHS

used LOA to bring in licensed mariners that were needed to run the ships.

Commissioner Anderson affirmed that DOT used LOA, which was one way to modify a collective bargaining unit agreement after it had been negotiated. He recognized that LOA complicated matters and mentioned that the department was currently negotiating with the three maritime unions. He emphasized that the department's goal was to not have LOAs, due to complications downstream when trying to calculate pay.

Co-Chair Stedman recognized the complexity of the issue, and mentioned that there was difficulty tracking the LOAs. He encouraged AMHS to do what it could to fill positions.

Commissioner Anderson displayed slide 17, "AMHS TERMINAL RECONSTRUCTION," which showed a map of shore-side terminals. He emphasized the need for ship and dock compatibility to make flexibility in the system. The department was fully funded at \$170 million for all the facilities shown on the slide in 12 communities. He noted that there would be a lot of construction over the following two years.

[10:08:55 AM](#)

Ms. Keith highlighted slide 18, "KEY ACTIONS AHEAD," which addressed external factors such as the impact of inflation and the timing of federal fund distribution. She relayed that DOT wanted to focus on dealing with external situations and accelerating projects. Many projects were not seeing significant inflation, but rural airport projects were seeing an impact from inflation in the form of big increases over original estimates. The effect was having the projects pushed out to following years. She mentioned the National Highway Construction Cost Index (NHCCI), which was 60 percent up from the fourth quarter in 2020. The department was working to mitigate the issue by standardizing low-level inflation to help forecast cost estimates by year. The department wanted to expand the method to apply correct inflation rates to materials and to be more dynamic with cost estimates.

Ms. Keith mentioned timing of federal fund distribution and highlighted the commissioner's mention of FAA projects that had been delayed. She mentioned strategies to pull projects

earlier in the year in order to advertise in April rather than in late summer. She mentioned AC, and referenced the STIP and use for advanced construction, where the goal was to increase flexibility to deal with project changes while not tied to specific fund sources.

Ms. Keith addressed Buy America/Build America (BABA) compliance and right-of-way acquisition and mentioned ongoing conversation about how the department could be more proactive when seeing acquisition delays or utility relocation challenges in order to be on top of the situation earlier in the process.

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Co-Chair Stedman asked if there had been problems issuing contracts due to escalating costs of inflation above the contractors' bid price.

Ms. Keith answered affirmatively and mentioned the Skagway State Street project, which was significantly delayed after an over 20 percent increase in the engineer's estimate. Part of the problem was procedural, and the project had to go out for amendment. On the airport side, there were a couple of instances that had come back at 200 percent to 300 percent at cost. She mentioned instances in which DOT had to re-budget the program for the year. The previous year there were 14 projects that had not been awarded, and the majority came back too high to move forward with the program. The strategy and scope of the projects had to be adjusted and now they were moving forward in 2025.

Co-Chair Stedman thought the information would be applicable to decisions made on future large projects that didn't seem to be represented with inflationary impacts. He identified escalation on the NHCCI chart on the slide. He would be shocked if the gasline project was inversely related to the chart. He made a side note that other things the committee was working on were also affected like DOT projects.

[10:14:29 AM](#)

Ms. Keith looked at slide 19, "KEY ACTIONS AHEAD." She mentioned other strategies for pre-construction with consultants to support the projects. She mentioned general engineering consultants, which worked with department staff

in close proximity to move an area of projects forward similar to a term agreement in procurement. She highlighted that if there was a general engineering consultant on board, DOT could potentially have a shortened period of time for approvals and onto environmental approval.

Co-Chair Stedman thought the subcommittee would be interested in working with the department to facilitate some of the process, including how the STIP was managed. He mentioned interest in making the process smoother.

Ms. Keith highlighted the bottom two items on the slide, which included DOT's agile project management strategies and its modernization of project delivery and forecast tools. She mentioned conversations in the Senate Transportation Committee. She explained that DOT had a project management office with three positions. The sole focus was to support project managers and provide directive support where helpful. For data driven decisions on projects it was needed in a digital platform. She mentioned that the modernization of the STIP gave the Project Delivery Plan (PDP), which was a digital format of every project that the state was running. The PDP allowed the department to see where the program was and provided transparency for delays. As the tools continued to develop, she thought the system would save staff significant time.

Co-Chair Stedman thought the system would save legislative staff time with inquiries also.

[10:17:53 AM](#)

Commissioner Anderson addressed slide 20, "STERLING HIGHWAY MILEPOST 45-60 RECONSTRUCTION - COOPER LANDING BYPASS," which showed a map and timeline overview of the Sterling Highway reconstruction project. The update had been requested by the committee. He thought the project had a lot of history. The slide showed the sequencing of the project, and he noted there had been many cost increases. He mentioned escalating prices due to federal requirements. The project was funded through stage 1 through stage 4. He discussed the active Stage 2 of the Juneau Creek Bridge.

Commissioner Anderson noted that there was a current discussion about Stage 1B, which would be the next logical sequence of work. The project was shovel-ready and was an alternative contracting method. The discussion was whether

the stage could fit in the program in the current year, and it was added in the STIP. He pointed out Stage 5, and that there was still about \$40 million worth of archeology that had to happen on the segment. He noted that there was still some work that needed to be done in advance of construction. He emphasized that the department was thinking through the process.

[10:20:37 AM](#)

Commissioner Anderson advanced to slide 21, "INFLATION IMPACTS ON PROJECT COST," which showed two tables reflecting the inflation of the project cost history of the bypass project. He referenced the financial plan update for the FWA. He offered to provide the document to the committee. He cited a total project cost of \$893 million.

Ms. Keith looked at slide 22, "ALASKA AND LARGE TRANSPORTATION PROJECTS," which showed a graph depicting what was planned on the NHS and what was programmed in the STIP. The detail showed what was planned for the following four years. She highlighted that on the Sterling Highway milepost 45 to milepost 60 had \$210 million programmed in the STIP. The Seward Highway milepost 98.5 to milepost 112 included a changed terminus from the original plans and was programmed for \$182 million. Along the Dalton Highway, several major segments totaled \$137 million. She noted that DOT tried to have a distribution of work over several corridors, so as to not bog down any one corridor for the year. She estimated that the NHS program was planned out for about ten years. The department was working towards a ten-year statewide plan statewide.

[10:23:48 AM](#)

CHRISTOPHER HODGIN, SENIOR PROJECT MANAGER, STATEWIDE PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, spoke to slide 23, "DEFERRED MAINTENANCE," which showed a pie chart. The division owned 706 facilities across the state, with 668 of the facilities being DOT mission-specific; such as highways and aviation maintenance stations, equipment storage buildings and campuses in Anchorage, Fairbanks, and Juneau. There were some other categories of multi-tenant, multi-agency facilities.

[10:25:04 AM](#)

Mr. Hodgkin referenced slide 24, "DEFERRED MAINTENANCE," and cited that current division backlog in deferred maintenance was \$373 million, which represented \$163 million in DOT-specific usage facilities, and multi-agency facilities. The public building fund category had an estimated backlog of \$210 million. There were 12 major office buildings that were able to gain funding for the deferred maintenance through leases. The bottom left graph illustrated allocations for the previous year for DOT and Division of Facilities Services (DFS) buildings, which averaged \$3.5 million. The bottom right graph depicted the allocation in prior fiscal years for an average of Public Building Fund (PBF) facilities, which averaged about \$4.8 million.

Co-Chair Stedman asked Mr. Hodgkin to discuss what the governor's budget had proposed for deferred maintenance.

Mr. Hodgkin understood that the amount would be in the \$20 million range.

Co-Chair Stedman asked if there was \$20 million in the current budget.

Mr. Hodgkin answered affirmatively.

Co-Chair Stedman asked why the bottom right chart only went through FY 21.

Mr. Hodgkin noted that there was a corrected chart that had all the fiscal years and offered to provide the document.

Co-Chair Stedman asked for more detail.

Mr. Hodgkin relayed that the department had data from FY 15 to FY 24.

Mr. Hodgkin turned to slide 25, "DEFERRED MAINTENANCE," which showed examples of deferred maintenance projects. He highlighted upgrades in Fairbanks and Yakutat.

Co-Chair Stedman asked who was responsible for Mt. Edgecumbe High School (MEHS).

Mr. Hodgkin relayed that his section provided help provide design and construction with the Department of Education and Early Development through a reimbursable services agreement.

Co-Chair Stedman asked if the agreement included destruction of old World War II structures.

Mr. Hodgkin noted that over the previous year there had been a master plan assisted by a consultant. Part of the master plan included potential teacher housing, which would be in the same place as demolished structures on campus. The project would be a potential project if it was funded in the future.

Co-Chair Stedman thought the structures needed to be addressed.

[10:29:28 AM](#)

Senator Kiehl asked to go back to slide 23. He asked if there were almost 4.4 million square feet outside the PBF and the whole maintenance backlog was \$163 million.

Mr. Hodgkin explained that the \$163 million was for the 668 facilities.

Senator Kiehl asked how recently the facilities had been surveyed and updated.

Mr. Hodgkin relayed that forthcoming slides would address the topic.

Mr. Hodgkin considered slide 26, "DEFERRED MAINTENANCE," and explained that the department had a three-tiered approach. The first tier was facility condition assessments, and over the last year DOT had completed 28 assessments on large facilities with high occupancy to help inform and prioritize deferred maintenance needs. There would be additional facility condition assessments on other specific DOT-usage buildings to help the team understand more of the deferred maintenance needs and priorities at the buildings. The department had chosen the high-square footage buildings first in order to analyze consultant data for a high proportion of facilities. Many other facilities were remote.

Mr. Hodgkin displayed slide 27, "DEFERRED MAINTENANCE," and discussed next steps. He identified that DOT would prioritize its deferred maintenance projects to present to the state's facilities council for prioritization and

recommendation to the Office of Management and Budget (OMB). The projects would be funded by state capital General Funds. For the PBF projects had been submitted, and once the projects were funded and confirmed, the projects would be completed by the maintenance and operation teams or through the design and construction process.

Mr. Hodgkin highlighted slide 28, "DEFERRED MAINTENANCE":

- Age and capabilities of the facilities become increasing factors and considerations over time
- Facilities in need of major system repairs, upgrades, or system replacements may exceed what is achievable through deferred maintenance
- Designs in progress for replacement facilities of DOT&P facilities nearing end of life

Mr. Hodgkin discussed design for replacement of aged facilities and mentioned a maintenance station in Haines.

[10:33:14 AM](#)

Senator Cronk asked if the committee could have the same systems built in every building (such as heating). He thought consistency was needed in building for efficiency. He used the example of schools.

Mr. Hodgkin relayed that DOT would love to have as consistent and similar designs as possible throughout the state. He mentioned different climates, different geotechnical conditions, and the availability of fuel types as unique design considerations. He described a balance between the similarities and unique conditions in the designs.

Co-Chair Stedman emphasized the desire for consistency in design of schools, ferries, and other structures. He mentioned the expense of being inundated with different systems.

Co-Chair Stedman asked how the department went through the process of prioritizing deferred maintenance projects and bringing forward the items for consideration by OMB for inclusion in the budget.

Mr. Hodgkin described a prioritization methodology that used a project index value. The value was comprised of the

importance to the specific agency, a system factor (impact to its operation), and the need. The items were mathematically interpreted to rank the project index value, and brought to the statewide facilities council, which used the same methodology.

Co-Chair Stedman asked if Mr. Hodgkin could provide the list to the committee. He referenced maintenance areas for harbors and schools as additional items for the committee's consideration.

Mr. Hodgkin agreed to provide the list.

10:37:09 AM

Commissioner Anderson looked at slide 29, "DELIVERING THE FY2026 FEDERAL CAPITAL PROGRAM," which showed two pie charts. The chart on the left compared the capital program (at \$1.8 billion million) with the operating program (at \$800 million). On the right was the breakout of the capital program in all fund sources. He drew attention to the surface transportation program, the airport improvement program, and the increasing rural ferry grants. He mentioned the Alaska West Coast Resiliency Projects, and authority for the 10-megawatt solar array at the Ted Stevens Anchorage International Airport. He highlighted the PBF deferred maintenance item, Wood River Canyon and trails, and other specific projects including a critical connector to Lake Iliamna.

Commissioner Anderson continued to address slide 29, and mentioned a project on the Dalton Highway, and State Managed Seaplane Base and Harbor Facility Funding. He highlighted the Silver Tip Camp bunkhouse, which provided shelter during storms for increased highways response times during storms.

Co-Chair Stedman asked for help with prioritized ranking of capital items in the budget. He discussed a significant deficit.

Senator Kiehl looked at slide 29 and noted that a couple of the projects highlighted funding sources. He asked about projects with matching funds or leveraged funds.

Commissioner Anderson identified that the resiliency project was with federal matching funds. He mentioned

state-funded projects such as the Wood River Canyon Bridge. He relayed that the department was always looking for opportunities and mentioned a port infrastructure development program.

Co-Chair Stedman suggested Commissioner Anderson save the project listing for the budget subcommittee. He emphasized prioritizing projects for consideration during the budget process, including funding sources so as to not miss federal matching funds.

[10:41:33 AM](#)

Ms. Keith addressed slide 30, "FY2026 OPERATING: ALASKA DOT&PF," which summarized governor's proposed operating budget for DOT. She observed that personal services comprised 61 percent and the majority of the operating budget. She cited about 808.6 million for all components. Contractual services was 26 percent while commodities, travel, and other capital outlays comprised 15 percent. The right-hand side of the slide showed DOT job classes including operators, drone pilots and a breadth of other positions.

Commissioner Anderson advanced to slide 31, "FY2026 OPERATING BUDGET: FUND SOURCES," which showed a pie chart and tables. He listed about \$184 million in Unrestricted General Funds (UGF) and \$72 million in Designated General Funds (DGF) (which consisted of GF program receipts, AMHS Fund, vehicle rental receipts, and about \$37 million in motor fuel tax receipts. There was about \$81 million in federal receipts and various other sources. He pointed out the International Airports Revenue Fund at \$127 million and the capital improvement project receipts at \$207 million.

Co-Chair Stedman asked to address deferred maintenance. He wanted information on what was included for OMB. He mentioned schools and what was included in the budget. He wanted an understanding of several years' worth of appropriations for state deferred maintenance.

Commissioner Anderson agreed.

[10:44:36 AM](#)

Commissioner Anderson turned to slide 32, "FY2026 OPERATING BUDGET: OVERVIEW," which showed two tables and two pie charts showing all funds and UGF/DGF. He highlighted highways, aviation and facilities as the primary expenditure at \$180 million. International airports were self-funded at \$127 million, and AMHS was funded at about \$160 million. Design, engineering, and construction for project delivery was at \$132 million. He discussed UGF, and cited that AMHS was at \$82 million, international airports had none, but highways/aviation/facilities was at \$136 million. He noted that the department had done a lot of work to try and leverage federal funds.

Co-Chair Stedman discussed the AMHS and federal funds to rebuild the system. He mentioned banking funding to be carried forward as a backstop for unforeseen disruptions. He asked Commissioner Anderson to discuss the issue. He did not think the banking of funds was happening as frequently as the committee would like.

Commissioner Anderson agreed to provide the committee with the value of the [AMHS] fund. He mentioned inflation and that it was affecting AMHS. He mentioned discussion about staff shortages and employees on holdovers incurring additional expenses. He thought incurred costs had not helped in banking the funds.

Co-Chair Stedman affirmed that the committee would work with the department on cash flow as it did annually. He mentioned similar challenges with the Department of Corrections and massive overtime.

Senator Kaufman mentioned the issue of snow removal the previous year, and wondered how the state was doing on spending thus far on snow removal.

Commissioner Anderson acknowledged the challenge of budgeting for extreme years and light snow years. He discussed quarterly projections and relayed that the budget was currently "ok." He mentioned a big ice storm in the Northern part of the state, and some subsequent stresses on the budget. He referenced the strategy of being able to scale up with contractors on term agreements. He mentioned the variability in weather events.

[10:49:30 AM](#)

Senator Cronk mentioned two bridges including one over the Johnson River. He mentioned rumors about pushing projects through the STIP. He noted that the bridges were from the World War II era. He asked when he could expect to see progress on the bridges.

Commissioner Anderson mentioned visiting the Yukon and that his counterparts there were going through a similar experience replacing WW II era bridges. He thought the two bridges mentioned by Representative Cronk were in progress.

Ms. Keith commented that both projects were in the STIP within the following two years to have contracts underway. She offered to provide a specific project schedule.

Senator Cronk asked what the state was doing to address state staffing at certain camps including the Northway DOT station. He mentioned the road to Minto being closed.

Commissioner Anderson acknowledged that there was a tough situation at the intersection of the Dalton Highway and the Road to Minto. He mentioned the Livengood Camp and that the department was actively recruiting. He mentioned a line item in the budget for Dalton Highway contracting, which provided options. He mentioned consideration of incentive ideas including a Letter of Agreement to a bargaining unit for incentive payments, with varying degrees of success. He pondered reasons for the issue. He mentioned areas that were fully staffed.

[10:53:23 AM](#)

Senator Cronk thought people were not being paid enough to stay in certain remote areas. He mentioned that there were certain remote areas and wondered about recruiting in places like Manely.

Commissioner Anderson appreciated the committee's questions and emphasized working together to solve problems. He affirmed that the committee would see transparent communications from the department. He mentioned two opportunities for communication through the STIP Amendment 2, and the long-range plan for AMHS.

Co-Chair Stedman affirmed that the committee wanted to be part of the solution to keep projects moving forward throughout the state. He encouraged the commissioner to

keep in touch. He discussed the agenda for the following day.

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ADJOURNMENT

10:56:46 AM

The meeting was adjourned at 10:56 a.m.