

**ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE**

February 13, 2025

1:34 p.m.

MEMBERS PRESENT

Senator Jesse Bjorkman, Chair
Senator Jesse Kiehl
Senator Bert Stedman
Senator Mike Shower

MEMBERS ABSENT

Senator Löki Tobin, Vice Chair

COMMITTEE CALENDAR

PRESENTATION(S) : STIP UPDATE AND CONSTRUCTION OUTLOOK

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KATHERINE KEITH, Deputy Commissioner
Department of Transportation and Public Facilities (DOTPF)
Anchorage, Alaska

POSITION STATEMENT: Co-presented STIP Update and Construction Outlook.

DOM PANNONE, Director
Administrative Services
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska

POSITION STATEMENT: Co-presented STIP Update and Construction Outlook.

ACTION NARRATIVE

[1:34:49 PM](#)

CHAIR BJORKMAN called the Senate Transportation Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Kiehl, Stedman, Shower and Chair Bjorkman.

PRESENTATION(S) : STIP UPDATE AND CONSTRUCTION OUTLOOK

[1:35:29 PM](#)

CHAIR BJORKMAN announced the presentation, STIP Update and Construction Outlook by Deputy Commissioner Keith and Director Pannone.

[1:36:16 PM](#)

KATHERINE KEITH, Deputy Commissioner, Department of Transportation and Public Facilities (DOTPF), Anchorage, introduced herself and advanced to Slide 2, 2025 Construction Outlook. Slide 2 contains an infographic showing DOTPF's more than 80 projects in over 40 communities. She stated that the presentation would detail project delivery and payments for this season and potential 2025 awards. She expressed hope that the presentation would give a clear picture of DOTPF's status with respect to project delivery and provide a satisfactory Statewide Transportation Improvement Program (STIP) update for future planning. The 2025 construction outlook maps and detailed project information are available on the DOTPF website. The maps are broken out into DOT regions: Northern, Central, and Southcoast. There are currently 145 active construction projects, which is an increase from 2024. She listed various airport and roadway upgrades across the state.

[1:40:08 PM](#)

SENATOR STEDMAN asked if there is an update on the Angoon airport.

[1:40:20 PM](#)

MS. KEITH said that detailed information about the status of the project would be provided to the committee.

[1:40:38 PM](#)

DOM PANNONE, Director, Administrative Services, Department of Transportation and Public Facilities, Juneau, Alaska, advanced to Slide 3, Capital Expenditures. Slide 3 contains a table showing the Program Balance Index (PBI) and Contractor Payments. payments, a bar graph of capital expenditures (\$ in millions) for FFY 2022-2024, and a table showing the trend of increasing capital expenditures for 2022-2024. He said that this tool is used to monitor the health of the program. He briefly explained

how capital programs are monitored. He noted a yearly increase in funds flowing from the department.

[1:41:41 PM](#)

CHAIR BJORKMAN asked about the lag time between when a contractor completes work and when they receive payment. He asked for clarification about the timing of work and payments by fiscal year.

[1:42:17 PM](#)

MR. PANNONE said that Slide 3 shows when DOTPF issued a check. He explained that average payment time for the past year was 10 days after receiving an invoice. He offered additional details on this process.

[1:43:10 PM](#)

CHAIR BJORKMAN offered an example of a contractor not receiving payment for work done and asked for further clarification of the billing and payment process.

[1:43:31 PM](#)

MR. PANNONE said that he would need to consider the specific scenario in order to offer further insight.

[1:43:52 PM](#)

MS. KEITH encouraged contractors to contact DOTPF in the event of non-payment. She said that DOTPF works with the Association of General Contractors (AGC) to ensure prompt payment but acknowledged that sometimes issues arise. She advanced to Slide 4, Project Delivery / Construction Contract Payments (\$ in millions). Slide 4 includes a table displaying contractor payment estimates with over \$10 million difference. A second table shows contractor payments estimated by regional construction engineers & directors whose combined transportation experience is an estimated 100 years. This table is broken down into type of work and delta (\$ in millions). She acknowledged AGC concerns about forthcoming contractor payments. DOTPF has discussed this with AGC and is continually working to understand discrepancies and concerns. She noted the differences in forecasted payments: DOTPF \$885; Association of General Contractors (AGC) \$650.2; with a delta of \$242.1. She briefly discussed possible reasons for these differences. One reason is related to payments awarded the in 2024 for work that is carrying forward into 2025.

[1:46:34 PM](#)

MR. PANNONE clarified that the data presented was calculated using open contracts awarded in prior years that have significant dollar amounts (and work) remaining.

[1:46:59 PM](#)

CHAIR BJORKMAN said that the conflation of previously awarded contracts with new contracts was causing concern among contractors. He asked whether Ms. Keith or Mr. Pannone spoke with AGC prior to publishing the data included on Slide 4.

[1:47:45 PM](#)

MS. KEITH indicated that neither she nor Mr. Pannone were in direct communication with AGC; however, DOTPF (primarily Commissioner Anderson) has been in communication with AGC during this process. She offered to provide more detailed information about these conversations to the committee.

[1:48:09 PM](#)

CHAIR BJORKMAN encouraged more open communication between DOTPF and AGC, particularly regarding the DOTPF's reporting. He suggested a clear delineation between new contracts and those that are from prior years, in order to increase understanding and reduce the potential for miscommunication. He said that contractors are wondering if the three CMGC contracts have been awarded and whether contractors have received a notice to proceed on those contracts.

[1:49:06 PM](#)

MS. KEITH agreed that it is a complicated process. She emphasized that DOTPF encourages sharing data and transparency. She said DOTPF would like to hear from the contractors expressing concern and briefly explained how the contract payments are sometimes misunderstood. She expressed confusion about concerns related to the health of the contracting community for 2025, as this is not reflected in DOTPF's data and reiterated that increased dialogue on this topic between DOTPF and contractors is welcome.

[1:50:09 PM](#)

MR. PANNONE noted that DOTPF met with the AGC DOTPF steering committee in October of 2024. He said that DOTPF would like to continue to share data with AGC as a partner in delivering this program.

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CHAIR BJORKMAN shared his understanding that current concerns within the contracting community are based on a small number of

new contract awards and jobs put out to bid in 2025 and not payments for previously awarded contracts. He noted that the deadline for 2025 work is approaching and relayed that contractors are concerned that a lack of new work will make it difficult to keep Alaskans employed.

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MS. KEITH said that DOTPF has only received letters from AGC related to contractor payments. She added that contract awards would be discussed, as they are critical for future work and future contractor payments.

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CHAIR BJORKMAN asked whether the three CMGC contracts on Slide 4 have been awarded and if contractors have received a notice to proceed.

[1:52:05 PM](#)

MS. KEITH replied yes. The preconstruction portion has been awarded. She briefly explained that a negotiation process determines the scope of work and work packages are issued. The work packages have not yet been issued, as the negotiations are underway.

[1:52:33 PM](#)

CHAIR BJORKMAN asked for a timeline for those projects.

[1:52:42 PM](#)

MS. KEITH reiterated that negotiations are underway; however, an exact date is unknown. She indicated that the Cape Blossom Road project is delayed due to a price increase but will move forward.

[1:54:11 PM](#)

MS. KEITH advanced to Slide 5, Top Contractor Payments FFY2021-2024. Slide 5 contains a bar graph showing payments by project and a chart showing the remainder on contracts awarded post FY2021 (\$ in millions). She said that some concerns from small contractors are reflected here. She pointed out that the majority of contractor payments have gone to a few large firms across the state. She noted a decline that highlights fewer contractor payments and greater growth instability across contractors. She indicated that the companies on the lefthand side show growth and success, while those on the righthand side show greater fluctuation. She noted concerns from the contractor community and indicated that DOTPF is working to address this.

[1:56:07 PM](#)

MS. KEITH advanced to Slide 6, Contractor Payments / Difference between DOTPF and AGC. Slide 6 contains a graph showing the difference on contractor payments between DOTPF and AGC (delta greater than \$1 million; \$ in millions). A table of contractor payments in FFY2025, forecasted outlook (\$ in millions) is also included. The table indicates that contracts awarded prior to FFY2025 totaled \$424.9, contracts awarded or bidding in FFY2025 total \$90.9, Construction Manager General Contractor (CMGC) payments total \$93.7, and \$276.2 remain to be advertised, for a total of \$885.7 million in contractor payments. She explained that this considers previously awarded projects, what is currently being awarded or bid, and projects already arranged with CMGC. She emphasized that the payments have a high degree of certainty. She briefly explained the formulas used to reach these values. She indicated that DOTPF continues to monitor this and will provide updates.

[1:58:23 PM](#)

MR. PANNONE advanced to Slide 7, Project Delivery / Pipeline Readiness. Slide 7 includes tables showing the Construction Obligation Utilization Index (COUI) and Funding Pipeline Index (FPI) for FFY2022-2024. COUI is trending downward as change orders and preconstruction commitments reduce funds available for new awards. FPI is also trending downwards due to a potential funding gap and obligations lag active construction. Slide 7 also includes bar charts showing FHWA and FAA obligations (\$ in millions) and Contract Awards (\$ in Millions). He explained that contracts awarded in winter receive payment the following construction season. He briefly explained pipeline leading and lagging indicators. He indicated that DOTPF is working to reverse downward trends.

[1:59:59 PM](#)

MS. KEITH advanced to Slide 8, Contract Awards FFY2021-24. Slide 8 includes a bar chart showing these payments alongside total bids. She emphasized that many contracts have received change orders that are not included on the chart of contract awards. These change orders impact new project funding. She explained that contract payments are increasing while new project awards are decreasing as DOTPF works to complete current projects. She emphasized that this is a balancing act and DOTPF is working to respond to industry concerns and uncover what is not working.

[2:01:32 PM](#)

SENATOR KIEHL referred back to Slide 7 and asked if change orders are responsible for the delta between award amounts.

[2:01:58 PM](#)

MS. KEITH replied no. She briefly explained some of the factors causing these changes.

[2:03:08 PM](#)

MR. PANNONE stated that change orders do not account for obligation reductions. He explained that canceled projects, reduced August distribution, and late FAA funding led to the obligation reduction. He noted that contract obligations could be affected by change orders because obligation funds are redistributed. He reiterated that change orders are not responsible for a reduction in obligations.

[2:04:12 PM](#)

SENATOR KIEHL expressed confusion. He clarified that he was asking about the obligations compared to the awards over the three years shown. He pointed out that there is a delta for each year and a total award decrease of roughly \$920 million than was obligated during that time. He surmised that if this was due to delays, it would even out over subsequent years. He further surmised that this was not due to AC and asked how this consistent delta across FFYs can be explained.

[2:05:17 PM](#)

MR. PANNONE attempted to clarify. He said that the contract awards are a different lens and time from the obligations. He explained that once funds are obligated, they go to contract award. He said that there was a \$300 million decrease in contract awards during that time. He explained the role AC played in this difference.

[2:06:31 PM](#)

SENATOR KIEHL expressed continued confusion. He asked for the starting and ending AC amounts for FFY 2022-24.

[2:07:07 PM](#)

MR. PANNONE provided the following AC estimates:

Advanced Construction Estimates:

FFY 2022: \$400 million
FFY 2023: \$550 million
FFY 2024: \$400 million

MR. PANNONE offered to provide exact numbers to the committee.

[2:07:41 PM](#)

SENATOR KIEHL said that this answered part of his question. He indicated that he would find a way to rephrase his original question for greater clarity.

[2:07:51 PM](#)

MS. KEITH commented that the decline in each factor shows that the future pipeline of projects is not as strong as DOTPF would like it to be and indicates that the pipeline needs to be addressed. This is rebalanced by FFY 2025 projects.

[2:08:51 PM](#)

MS. KEITH returned to Slide 8 and continued to discuss contract awards for FFY2021-24. She briefly discussed how contract awards are distributed across projects and contractors. DOTPF evaluates how contracts are distributed and project size. She pointed out that one company received 42 percent of the contract awards issued for the past 4 years. She directed attention to the total bids submitted and wondered why contractors are not bidding. She noted that some larger companies submit many bids while others do not have that capacity. She surmised that some companies are more successful at bidding. DOTPF would like to work with companies to understand the issues. Estimates may also be an issue, especially with airport projects.

[2:12:02 PM](#)

SENATOR SHOWER asked for clarification that the trend is shifting toward fewer contractors receiving more of the awards.

[2:12:12 PM](#)

MS. KEITH confirmed this understanding.

[2:12:22 PM](#)

MS. KEITH advanced to Slide 9:

[Original punctuation provided.]

Forecasted Contract Awards

Tentative Advertising Schedule (TAS)

- DOTPF's Forecast of Construction Project Bidding
- 1 Year Time Horizon
- Strengthened Protocols This Past Year

Timing Of Bids

- Typical Bidding Window for Upcoming Construction Season

- February through May
- Longer in Southeast Alaska
- US Congress Staggers Release of Obligation Limitation - Not Optimal for Alaska's Short Construction Window

[Slide 9 also includes a chart, Contract Awards: 2025 Forecasted Outlook (\$M) and a memorandum from DOTPF regarding the Tentative Advertising Schedule (TAS) protocol.]

[2:13:38 PM](#)

MR. PANNONE said that he has received feedback from AGC regarding the important role TAS plays in planning. He explained that DOTPF has developed a dashboard to provide project details and notify AGC leadership when project variables change. He noted that the most significant variable is the advertise date and added that these changes are evaluated daily. DOTPF is moving toward a weekly check-in to ensure that project delivery occurs as stated.

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SENATOR KIEHL asked about TAS accuracy.

MR. PANNONE replied that TAS is highly accurate. He clarified that the dashboard tool is monitoring how often projects change. He said that he does not have statistics available for how often projects have shifted but offered to provide this to the committee.

[2:15:21 PM](#)

SENATOR KIEHL commented that this would be useful. He surmised that TAS is very helpful tool for measuring metrics; however, excessive changes to project timelines negatively impact the usefulness of the tool.

[2:15:39 PM](#)

SENATOR SHOWER asked about raising costs and about the trend of in-state versus out-of-state contracting companies performing work.

[2:16:15 PM](#)

MS. KEITH replied that over 50 percent of DOTPF's contracts are awarded to out-of-state contracting firms. She indicated that DOTPF would like to see this shift to in-state contractors if this would ensure a healthy contracting community in the state.

She stated that one way to do this could be to break larger projects up into smaller stages.

[2:17:25 PM](#)

MR. PANNONE said that, with respect to inflation, DOTPF utilizes the National Highway Construction Cost Index (NHCCI). This shows nationwide highway infrastructure costs. NHCCI has shown a 67 percent construction cost increase (nationwide) since the Infrastructure Investment and Jobs Act (IIJA) was put in place. He briefly discussed the impact this has had in Alaska. He explained that new estimates and increasing inflation negatively impacts the number of projects, as inflation has outpaced funding received.

[2:18:35 PM](#)

CHAIR BJORKMAN directed attention to Slide 9. He wondered about the differences between the award amount shown on Slide 9 and the amount shown on [Slide 6]. He asked for the amount that has currently been awarded and that contractors have received a notice to proceed on for the 2025 construction season. He pointed out the short timeframe that remains for additional bids and awards for the 2025 season. He asked what DOTPF is doing to close the delta to reach the new program totals for FFY2025.

[2:19:58 PM](#)

MS. KEITH shared her understanding that the \$95 million (on Slide 6) included both projects being bid and those that had been awarded (and those that were close to award). She briefly explained the data on Slide 9. She indicated that this accurately reflects current award and bid amounts (totaling \$189 million). She explained CMGC awards. The remainder (\$574.9 million) is on TAS and are to be awarded. With respect to timing, she said that this is also a concern for DOTPF. She stated that late federal grant award times are concerning, particularly for airport projects. Permitting is another cause for delays. She indicated that DOTPF has acceleration strategies in progress for projects on TAS. DOTPF is working with project managers for solutions to avoid pushing deadlines. She indicated that the goal of transparency has led to some hesitancy for moving projects up on TAS. DOTPF is conservative in its approach to moving TAS projects back and would prefer projects to begin early. She explained that 2024 estimated contractor payments (\$885 million) are based on when DOTPF expects projects to go out - regardless of TAS. She clarified that this is due to the timing of the award.

[2:23:15 PM](#)

CHAIR BJORKMAN reiterated that contractors are less concerned about payments and more concerned about bid awards and new projects for 2025. He asked whether federal delays related to obligating funds are impacting DOTPF's ability to put projects out to award.

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MS. KEITH replied yes. She noted that this is of particular concern with FAA funding and DOTPF is working on strategies to remain flexible. She said acceleration strategies would benefit projects for this year but acknowledged that this would not necessarily impact the pipeline of future projects (which is a concern of the contracting community).

[2:24:55 PM](#)

SENATOR KIEHL pointed out that TAS shows that bidding will occur in June and said it is highly unlikely that this work will occur in 2025. He asked for an estimate on the 2025 project award value.

MS. KEITH replied that the value for awards going out in 2025 is \$935 million, which is higher than it has been in previous years.

SENATOR KIEHL clarified his question. He said he is asking about work that can start in 2025.

MS. KEITH replied that new work starting in 2025 (contrasted to what was previously awarded and underway) is \$276 million. She clarified that of 2025 awards, \$276 million would be awarded and available to begin in 2025.

[2:26:29 PM](#)

SENATOR STEDMAN asked Mr. Pannone for a written statement of his earlier comments on inflation and the 67 percent escalation in costs. He indicated that this would be shared with both the Senate Transportation Standing Committee and the Senate Finance Committee.

[2:27:39 PM](#)

MR. PANNONE said he would provide this to the committee.

[2:27:52 PM](#)

SENATOR SHOWER noted the short window for construction projects and the impact of the federal funding timeline. He wondered if here is a way for Alaska's congressional delegation to

communicate the challenges that Alaska faces in order to adjust the funding timeline and allow work to occur.

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MS. KEITH stated that STIP processes recently changed to require amendments in certain situations related to contracts and bid amounts, which can delay projects further. She commented that this is one area where Alaska's congressional could help.

[2:29:28 PM](#)

MR. PANNONE agreed. He briefly explained the previous process, the new process, and the impact the changes have had on projects.

[2:30:14 PM](#)

MR. PANNONE advanced to Slide 10 and discussed advance construction (AC). Slide 10 contains a chart showing trends for both the Program Activity Index (PAI) and the Advance Construction Dependency Index (ACDI). PAI is trending upward, indicating heavy activity compared to obligations, potentially reducing the pipeline. ACDI shows a reduced advanced construction balance to stabilize long-term funding. Charts showing AC funding amounts for FFY 2022-24 are also included. He explained that AC applies to federal highways but not to aviation and is a tool to advance projects. When used in a single year, it is repaid in the same year (by using federal funding when it is released). AC can apply to projects that are ready for bid if the project is in STIP, thus allowing projects to go out to bid early. He briefly explained the impact the AC cycle can have on future projects.

[2:31:23 PM](#)

SENATOR STEDMAN noted concern on the growth of AC over time. He asked if adjusting AC to lower levels would have an impact on the 2025 and/or 2026 construction year.

[2:32:11 PM](#)

MR. PANNONE said DOTPF has seen the balance of authorizations increase. He noted feedback from the contracting industry that AC would be desirable for projects that are ready to go. He explained that in 2025, the current goal is to have a net zero gain in AC balance rather than reduce the AC balance. He clarified that the intention is to keep AC funds or use them to accelerate projects.

[2:33:05 PM](#)

MS. KEITH said AC is a policy call and expressed interest in continuing the AC conversation. She surmised that AC could increase in 2025 and DOTPF is using AC as a tool to help alleviate issues related to STIP requirements.

[2:34:21 PM](#)

CHAIR BJORKMAN asked about general risk for utilizing AC. He wondered why it is necessary to pay down the entire AC balance rather than keeping the number down to a certain amount (e.g. \$550 million).

[2:34:49 PM](#)

MR. PANNONE explained that future funds must be used to pay the AC balance incurred in a single year. He explained that DOTPF determines whether to pay the AC balance depending on incoming federal funds and project availability.

[2:36:05 PM](#)

MR. PANNONE advanced to Slide 11:

[Original punctuation provided.]

Project Delivery / Inflation Impacts

Inflation Effects on Program

- Overall program of active construction projects has been significantly impacted by cost increases.
- STIP procedures require amendments when a low bid exceeds 20 percent of the engineer's estimate.

Kotzebue to Cape Blossom Road

- \$27M Congressionally Directed Spending (CDS)
- 2022 Stage 2 Engineer's Estimate: \$55M
- 2024 Stage 2 CMGC Estimate: \$140M (In Negotiations)

[Slide 11 also includes a graph of the National Highway Construction Cost Index (NHCCI)]

MR. PANNONE noted that costs have increased 61 percent since the beginning of the Covid-19 pandemic and 67 percent since IIJA was put in place. Additional data is forthcoming.

[2:36:55 PM](#)

MS. KEITH briefly discussed the impact inflation has had on the Cape Blossom Road project. She stated that several other projects around the state will potentially be delayed as this program moves forward.

[2:37:38 PM](#)

MS. KEITH advanced to Slide 12, Project Delivery/Inflation Impacts. Slide 12 includes charts showing inflation impacts on various projects, as well as proposed projects that were not awarded. She noted that this primarily impacts rural airports.

[2:38:14 PM](#)

SENATOR STEDMAN commented that increasing costs are ubiquitous and unavoidable and expressed appreciation for the inclusion of this data. He expressed concern that cost estimates for the potential liquified natural gas (LNG) pipeline project do not include estimated cost increases. He commented that DOTPF's estimates are more realistic. He noted that a pipeline project would significantly impact roadways, requiring additional work after pipeline completion. He asked if DOTPF has considered this and whether Alaska's infrastructure could handle a project of this magnitude. He asked what it would cost to upgrade where needed - and recondition the infrastructure for the project.

[2:40:06 PM](#)

MS. KEITH agreed. She said that DOTPF needs to update previous estimates and does not currently have a set dollar amount estimate.

[2:40:57 PM](#)

SENATOR STEDMAN suggested that the Senate Transportation Standing Committee hold a future meeting to consider this. He said that the cost is significant and reiterated that this is not included in the project estimates seen to date.

[2:41:33 PM](#)

CHAIR BJORKMAN asked to what extent inflation cost escalation exceed the 20 percent engineer's estimate threshold and thus delay projects. He referred to an earlier discussion related to inflation cost escalations and wondered why there is not an associated increase in award value.

[2:42:13 PM](#)

MS. KEITH explained that fewer projects are being awarded due to increased project cost. She clarified that the awarded value is not changing; however, the number of awards - and what they can be used for - is decreasing.

[2:42:40 PM](#)

CHAIR BJORKMAN asked about the number of projects that fall above and below the 20 percent threshold. He wondered why DOTPF is not awarding projects that fall below the threshold.

[2:43:08 PM](#)

MS. KEITH said that she would provide that information for the committee. She said that the presentation highlights the biggest discrepancies. She explained that DOTPF prefers to have low bid procurement. The lowest bid is awarded regardless of where the bid falls relative to the estimate. The department can move forward and award bids if certain criteria are met.

[2:44:13 PM](#)

CHAIR BJORKMAN asked what the deadline is for the Cape Blossom Road Project.

[2:44:20 PM](#)

MS. KEITH said DOTPF intends to have a contract in place and obligated funding by June.

CHAIR BJORKMAN asked if this is a result of CMGC negotiations on the Cape Blossom Road Project.

MS. KEITH replied yes. She explained that the project will likely require rescoping. She briefly described this process. She emphasized that this is an important project and finding ways to move forward has presented a challenge.

[2:45:10 PM](#)

SENATOR KIEHL noted a 3.5 percent problem rate with engineer's estimates. He asked if this was in reference to how often bids come in 20 percent higher than the engineer's estimates.

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MS. KEITH said that the 3.5 percent is the overall difference between engineer's estimates and awards over a four-year period. She said that roughly \$3 billion was awarded and engineer's estimates were \$93 million less.

[2:45:59 PM](#)

SENATOR KIEHL asked for the trendline over the last 12-18 months.

MS. KEITH said that the difference between awards and estimates has decreased since 2021 and surmised that this may be due to practices to ensure accuracy.

[2:46:56 PM](#)

SENATOR KIEHL commented that this is a good change. He expressed confusion that the presentation indicated that the 20 percent difference between estimates and awards is a primary reason project delays - particularly if the difference is small and continues to decrease.

[2:47:20 PM](#)

MS. KEITH said that the problem is tied to anomalies that come up, primarily with rural airport projects and inflation. She explained that the engineer's estimate can be adjusted for inflation. Therefore, the estimates typically account for inflation; however, a project that was expected several years ago may have doubled or tripled in cost since that time. She reiterated that the projects of concern tend to be rural airport projects. She noted several factors that can impact those projects.

[2:48:32 PM](#)

CHAIR BJORKMAN asked how many of the rebid projects have been rebid.

[2:48:45 PM](#)

MS. KEITH replied that a letter was provided in response to the earlier question of rebid projects. She estimated that 70 percent have been rebid and awarded. She explained that some projects are under evaluation to determine how to proceed and offered examples. She noted that some projects have been put out several times and will not be put back out to bid; in this case, DOTPF works to understand how projects need to change to receive competitive bids.

[2:50:15 PM](#)

MS. KEITH advanced to Slide 13, Construction Change Orders. Slide 13 includes charts showing initial awards and post-award increases for a variety of projects and total awards and increases for FFY2020-25. The total of cost increases from projects awarded since FFY2020 is \$326.5 million. She explained that this information helps DOTPF evaluate contingencies and avoid over-programming. She offered examples and briefly discussed the various changes that can occur and the process to respond to these. DOTPF is working to anticipate potential change orders and avoid delays.

[2:52:09 PM](#)

MS. KEITH advanced to Slide 14 and discussed inflation impacts on project cost for the Cooper Landing Bypass (Sterling Highway Milepost 45-60). Slide 14 contains tables showing project cost net change (\$ in millions) and total project cost estimate and cost to complete by phase (\$ in millions). She briefly discussed the history of this project and the cost escalations. She explained that this is related to both preconstruction and construction costs and DOTPF must evaluate the entire program and consider how to proceed. She noted that inflation has significantly impacted the program and the project.

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CHAIR BJORKMAN noted that DOTPF has not dedicated construction funding to the Cooper Landing Bypass Project (CLBP) for several years. He surmised that this was done to preserve funding for statewide construction projects. He pointed out that there is significantly less money for new projects across the state for FFY 2025, despite this effort. He asked how Alaskans are benefitting from the project delay. He emphasized that delaying the project is resulting in significant cost increases (for that project).

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MS. KEITH said that the funds in the STIP are for paying down AC (and not for new construction over the next 3 years). She said that this program has no associated revenue and has been AC only. Over \$200 million AC has been applied to this project, making it a large portion of the AC balance. She briefly discussed the work that needs to be done before the project can move forward and said this is an important project for DOTPF.

[2:57:03 PM](#)

CHAIR BJORKMAN asked how not including Phase 1 of CLBP in STIP benefits Alaskans.

[2:58:12 PM](#)

MS. KEITH said DOTPF is working on a path to obligate construction funds for Phase 1. She stated that the primary concern is how to move forward with the bid in a way that also resolves the concerns of the contracting community. She said that the Alaskan contracting community has communicated a need for work and the CLBP is a priority for Alaskan contractors. DOTPF would like to make a portion of this project available for Alaskan contractors, as the primary construction company for the project is not an Alaskan company. She said that many issues

play into whether the project would benefit Alaskans. She added that DOTPF balances statewide needs and noted that this project would not benefit all Alaskans.

[2:59:14 PM](#)

CHAIR BJORKMAN commented that all Alaskans are interested in keeping costs down. He expressed confusion about the relationship DOTPF has with certain construction companies in the state. He stated that there is equipment that will require demobilization on the East side of CLBP due to a lack of revenue to proceed. He has heard conflicting reports on the progress of this project. He shared his understanding that there are aspects of the work that could be completed to move the project forward; however, this work is not being done. He noted that bridge and archeological work is being done. He reiterated that further delays would result in increasing costs and opined that this is not in the best interest of Alaskans. He questioned current contract award amounts and asked what other projects are competing with the CLBP in STIP.

[3:01:35 PM](#)

MS. KEITH emphasized that DOTPF has no issues with the companies doing work in the state. She stated that DOTPF is mindful of complaints received regarding lack of work. She clarified that the contracting payments DOTPF expects to issue are \$885 million. 2025 award amounts and contracting payments are increasing. With respect to projects competing with CLBP, she said there are several, including the Safer Seward Highway Corridor. She briefly discussed the importance of this project.

[3:02:57 PM](#)

SENATOR KIEHL commented that it is valuable to have payments going out but expressed concern about the low number of projects that are currently out for bid. He noted that some projects have carried over from previous years but emphasized that the current year is behind the usual curve.

[3:04:21 PM](#)

CHAIR BJORKMAN noted the time and suggested either continuing the presentation or returning to complete the presentation at a future time.

[3:05:00 PM](#)

MS. KEITH indicated that she would leave this to the will of the committee.

[3:05:12 PM](#)

At ease.

3:07:44 PM

CHAIR BJORKMAN reconvened the meeting and noted that the committee is out of time.

3:08:14 PM

MS. KEITH expressed gratitude for the discussion and emphasized the common goal of seeking solutions that provide the greatest benefit to the state.

3:08:50 PM

MR. PANNONE noted that there are 8 projects are on TAS.

3:09:03 PM

CHAIR BJORKMAN emphasized that he would like to help DOTPF in this process. He expressed a desire to make more jobs available and for CLBP to be completed within a reasonable timeframe. He shared his understanding that there have been struggles with the Safer Seward Highway Program while CLBP is ready to go. He reiterated his question about why CLBP has been left out of STIP. He expressed hope that this project would be included in the next STIP.

3:11:10 PM

There being no further business to come before the committee, Chair Bjorkman adjourned the Senate Transportation Standing Committee meeting at 3:11 p.m.